RELATIONSHIP BETWEEN BENCHMARKING AND PERFORMANCE: A CASE STUDY OF BARCLAYS BANK OF KENYA

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Declaration

This research project is my original work and has not been presented for a degree in this or any other University.

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

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Dedication

This project is dedicated to my dad Johnson, my late loving mum Pauline and all my siblings for their support, sacrifices, patience and encouragements throughout my academic endeavours.

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I am highly indebted to my family members especially my dad Johnson and brother Kiema for their support. Not to forget the contributions of my colleagues for their invaluable support that saw the success of this project. I am especially thankful to Mr. Peterson Magutu, Mr. Michael Mwangi, Mr. Ndizeye Leopold of Rwanda, Mr. Alfonce Musembi, Mr. Silas Osulo, Mr. Collins Agutu, Mr. Wekesa, Mrs Rose Abincha, Mr. Steve Adede...the list is unending once more thank you very much for your support and may God bless you.

To the Lord Almighty my God, thank you for the life, protection, love, willpower, and guidance you have accorded me.

Abstract

This study examined the relationship between benchmarking and performance at Barclays Bank of Kenya. Primary data was collected by use of a questionnaire. A sample of 50 respondents was used out of which 37 responded. The data was analyzed using descriptive and inferential statatistics.

The correlation analysis showed that prior experience with benchmarking; the commitment of the organization to benchmark, and internal preliminary competitive analysis had high association with benchmarking. This is in line with literature of Adam (2004) as found on page 9 of this project. This finding also show that indeed performance is related to benchmarking and the relationship is positive, that is, the more you benchmark the higher your performance increases. This relationship is shown by the adjusted $r^2 = 0.88$. This explains a high significance of the model as 88% of the variation in performance is accounted for by the estimated sample regression that uses benchmarking technique.

This research therefore found that for banks to achieve improved profitability, good return on assets, increased customer satisfaction, decreased costs, increased productivity, increased market share, and enhanced competitive advantage, it is essential that they pursue the benchmarking technique.

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CHAPTER ONE: INTRODUCTION

1.1 Background

The operating environment of businesses is highly dynamic and continues to present both opportunities and challenges to operations managers. A study by Kandie (2003) revealed that bank customers expect more and managers have had to contend with growing intensity of global competition and pervasive change. In Kenya and indeed the East African region the past decade has witnessed an increasing better performing banking sector and the quality of customer service has been growing by the day.

With the advent of globalization, developing nations like Kenya have not only been experiencing local and regional competition but also increased number of global competitors in the market. There have also been increased technological and economic developments, which in all have been posing a major challenge to organizations. Customer expectations have also increased as a result of increased competition that has brought about a variety of substitute products being offered in the market (Muasya, 2004).

To ensure that the firms survive and continue to be relevant in the market, the operations strategies must reflect the dynamism and demands in the market. According to Grant (2000), the ability to identify and occupy attractive segments of an industry is critical to the success of an organization. Hill and Jones (2001), add that the strategies an organization pursues have a major impact on its performance relative to its peers. Operational innovation is quite difficult to be realized by an organization. The power of creating and deploying new ways of performing fundamental business processes is indisputable; it has been the springboard to success for leading organizations in almost every industry. But many organizations have failed at their efforts to make operational innovation work. What is the secret to success?

According to Porter (1990), "the essence of strategy formulation is coping with competition". Porter states that competition in an industry is rooted in its underlying economies and will include customers, suppliers, potential entrants and substitute products. Benchmarking as an operations strategy presents an enabling opportunity to cope with the challenges of the environment by ensuring continued improvement and competitiveness of firms in the market.

For an organization to continue performing better it must have strategies that have lasting contribution to the daily operations. As Foster (2002) rightly puts it, the strategies should be decisions that shape the long-term capabilities of the company's operations and their contribution to overall strategy through the on-going reconciliation of market requirements and operations resources.

1.1.1 Concept of benchmarking

Benchmarking is a disciplined process that begins with a thorough search to identify best practice, continues with the careful study of one's own practices and performance, progresses through systematic site visits and interviews, and concludes with an analysis of results, development of recommendations and implementation (Garvin 1993). It is a process of improving performance by continuously identifying, understanding (studying and analyzing), and adapting outstanding practices, and processes found, inside the outside the organization and implementing the results (American Productivity and Quality Center, 1997).

Benchmarking allows you to discover the gaps in your performance when compared with someone else. Camp (1989) notes that nothing will happen, however, unless you actually do something to close the gap or surpass the gap so identified during the process of benchmarking. The real payback comes when you change what you do in order to improve.

1.1.2 Benchmarking and banking

Several studies have been done elsewhere in the world in regard to the practice of benchmarking in the banking industry. For instance, Bátiz-Lazo (2001) study on Benchmarking Best Practice in Financial Services in the United Kingdom. Among his findings are that the adoption of best practice benchmarking is contingent on individual organizations gaining experience with benefits emerging from process improvement and innovations associated with formal benchmarking and that future confidence in best practice benchmarking will develop alongside regulators being assured that links between establishing internal benchmarks and external targets do not develop in anti-competitive behaviour. His study also show evidence that financial service organizations use benchmarks and best practice benchmarking to provide valuable input as to what drives customer satisfaction and expectations, regardless of the industry or market. His findings also show that benchmarking best practice in financial organizations has also been linked with a process of learning. This process actively involves the use of IT applications, once a target has been reached further internal change will be needed and thus, best practice benchmarking will be a skill very much in demand to understand how to meet and exceed standards for service. Barclays Bank is also a member of the financial services and banking benchmarking association (f-sbba), which is an association of major banking organizations of the world that benchmark (available at www.sbba.org).

1.1.3 Barclays Private Limited Company (PLC) and Barclays Bank of Kenya.

Barclays PLC is one of the world's largest global financial services provider. It has a presence in over 50 countries worldwide. Barclays has 300 years of history and expertise in banking, Barclays Plc has six major divisions: UK Banking, Barclaycard, Barclays Capital, Barclays Global Investors, Barclays Wealth Management, International Retail and Commercial Banking. Barclays Africa is the leading bank in Africa, with businesses in 11 countries across Africa and the Middle East, including Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. It also has businesses in several other countries in Africa where it has collaborative arrangements with other banks and some establishments for instance Ethiopia, Nigeria, Sierra Leone, Eritrea, Congo, Sao Tome & Principe, Yemen as well as United Arab Emirates.

Barclays Bank is one of the leading banks in Kenya having opened its doors in 1916. Barclays Kenya is currently the largest business unit in the Barclays Africa family in terms of contribution to profit and size of operations. In Kenya, it boasts of a balance sheet worth over US$ 1 billion, which is equivalent to 10% of the country's GDP. Barclays Kenya was listed on the Nairobi Stock Exchange in 1986 and currently has 34,000 shareholders. Currently Barclays Kenya has a staff compliment of over 1900.The bank is the market leader in the retail segment and is aggressively growing its corporate business with numerous world class financial services products. The bank pioneered the concept of unsecured retail lending in Kenya where it currently holds a market share of 30%. The bank has 69 outlets across the country, with the Queensway house branch in Nairobi being the largest. All the outlets are computer linked making it possible for customers to access their accounts from any branch as if it were their own home branch for all their cash and cheque transactions. In addition it has 82 ATMs, the largest number by any bank in Kenya available at (www.barclays.com/africa/kenya/ Index.html.).

1.2 Research Problem

A lot of research has been done on benchmarking and its contribution to organizational continuous improvement empirically tested. Unfortunately, there has been hardly any research on the benchmarking technique in the b anking sector in Kenya. Gitonga (2002) however, notes that there are lots of challenges that influence the effective application of benchmarking strategy in Kenya which mainly stem from the fact that organizations in Kenya are wary of one another creating a sense of mistrust in giving out information that may be confidential to competitors.

Studies that have been done locally for instance, Amolo (2002) and Gitonga (2002) have hardly addressed the understandability of the concept of benchmarking in a developing economy like Kenya and the degree to which the level of understanding of the strategy can and has affected the implementation of the strategy. Gitonga (2002) shows only the benefits of the study in the construction industry and the challenges in the implementation of this technique without looking at whether the technique is well understood in terms of its workings and expected results by those who implement decisions in the sector in question. Amolo (2002) deals more on the processes that this technique has been used in the oil industry and the intricacies in its implementation without touching on its understandability or even the linkage between benchmarking technique and performance of the organization. This study therefore sought to determine whether there is a relationship of benchmarking technique and performance by establishing how the technique influences the various operational performance measures of the bank, that is, quality of service, customer satisfaction, inventory turnover, productivity growth, and the operating costs. Additionally, by assessing the various variables like number of years in the organization, the unit size, the frequency of use of the technique in the organization, and the response rate, the study sought to establish how well the technique is understood in the banking sector. In this regard, the study intended to match the understandability of the benchmarking concept and its implementation process. Through this, the study sought to evaluate measures that can be taken to increase managers' knowledge on this technique, its benefits and the control measures to yield the desired results.

Benchmarking has been proved to indeed lead to improved performance. In organizations as varied as Xerox, AT&T, Eli Lilly, and Southwest Airlines, GE (general electric) managers seeking a surge in quality have used benchmarking to make dramatic improvements in controlling their costs and speeding up and improving their service. They have located other organizations with superior performance in specific areas, learned what the others did to excel, and instituted similar or better improvements (Zairi, et al 1996). This study investigated whether benchmarking has played a role in the continued better performance of Barclays Bank of Kenya. Barclays bank of Kenya has seen improved financial performance over the years as is evident in its financial statements of pre-tax profits of 5,569,000,000 in 2004; 5,427,000,000 in 2005 and audited balance sheet of asset base of 104,522,000,000 in 2005 and 110,083,000,000 in 2004; its group results for the period ending 30th June 2006 showed unaudited pretax profits of 3,015,000,000 as compared to 2,103,000,000 over the same period in 2005, and an asset base of 112,398,000,000 compared to 104,522,000,000 in 2005. By evaluating the bank's use of benchmarking strategy to enhance its operational performance, the performance characteristics, limitations, bottlenecks and tradeoffs are observed and discussed.

This study therefore sought to get the answers to the following questions: To what extent has benchmarking contributed to continuity in improvements in the banking industry? Is there a link between performance and benchmarking techniques? How well is benchmarking technique understood in terms of concept and expected results in Barclays bank?

1.3 Objectives of the study

1. To establish the benchmarking practices pursued by Barclays Bank of Kenya
2. To establish the relationship between benchmarking and operational performance.
3. To establish the challenges faced by Barclays Bank of Kenya during the benchmarking process.

1.4 Importance of the study

As the external environment continues to be unpredictable, the findings of this study are expected to be very essential in several aspects. Benchmarking as a strategy has been found to highly uplift the standards of performance of organizations by several researchers. The findings of this study therefore will contribute to the following fields:

1. To Barclays bank it is hoped that the study will aid them to analyze the input of their use of benchmarking technique and identify areas that require further attention to enhance the improvement of its operations.

2. To the industry it is hoped that the study will be an eye opener to other banks to benchmark themselves against their peers and identify strengths as well as possible improvements.
3. The findings also seek to add to the body of knowledge in the field of continuous improvement hence will be useful to scholars in areas to be identified for further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Benchmarking

The term benchmark comes from surveying where it was used to denote a notch or mark representing a given altitude and against which other heights could be calibrated or 'benchmarked', since then it has come to mean any standard against which something is compared; and some of the leading exponents in business include Xerox and general electric (GE) (Yasin,2002). In business terms there are numerous definitions of benchmarking, but essentially it involves learning, sharing information and adopting best practices to bring about step changes in performance.

Watson (1993) defines benchmarking as "a continuous search for, and application of significantly better practices that lead to superior competitive performance". It is an essential focus on internal activities, functions or operations in order to achieve continuous improvement (McNair and Leibfried, 1992). It can also be defined as a process of improving performance by continuously identifying understanding (studying and analyzing), and adapting outstanding practices and processes found inside and outside the organization and implementing the results (American Productivity and Quality Center, 1997). Benchmarking is a continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders (best in class)'.

Camp (1989) defines benchmarking as a positive, proactive process by which a company examines how another c ompany performs a specific function in order to improve how it performs the same or similar function. Operational processes must be comparative or analogous if the highest degree of knowledge transfer between benchmarking partners is to be achieved.

Benchmarking is recognized as an essential tool for continuous improvement of quality. Quite often, the benchmarking concept is understood to be an act of imitating or copying but in reality this proves to be a concept that helps in innovation rather than imitation, as stated by Thompson and Cox (1997). Benchmarking allows you to discover the gaps in your performance when compared with someone else. Nothing will happen, however, unless you actually do something to close the gap - or surpass it. The real payback comes from changing what you do to improve your operations - and as we all know change is difficult- actual benchmarking is the easy part!

Other literature also show the applicability benchmarking for instance a paper by O'Dell et al. (1999) details the applicability of benchmarking in analyzing how organizations seek to incorporate various knowledge management approaches into their business. Also, the paper by Guimaraes and Langley (1994) speaks about the relationship between overall company innovativeness and company performance. They also point out that benchmarking innovation involves developing a plan, which include dimensions of innovation success: seeking, evaluating, using and fostering innovation.

Fuller (2000) uses a new approach to benchmarking where the use of benefit curves for benchmarking processes has been extensively discussed. Similarly, the paper by Featherman (2000) uses uncertainty modeling as a component of benchmarking, which is a new approach towards benchmarking. Cartin (2000), sees benchmarking as essentially an effort to stimulating creativity to provide stimulus that enables operations to better understand how they should be serving their customers. He argues that one very essential aspect of implementing a technique is how the organization understands it. He notes that benchmarking is a simple technique but can be quite complex in application. Cartin (2000) notes that benchmarking attempts will not succeed unless management understands the need for a disciplined, planned approach and assembles all the resource requirements. As much as the technique has been in practice for long, its popularity grew in the 1990's. Cartin (2000) argues however, that misunderstanding over its acceptance is still vivid as some view it as unethical, illegal and, industrial espionage. He gives an example of the Toyota. It is said that when Toyota initiated its program to produce the Lexus to compete with cars as Mercedes and BMW, it carefully examined the competitors prods to determine how and where welds were placed and how the cars were put together to attain the look and feel of exceptional quality.

In general benchmarking can therefore be defined as "Improving by learning from others - i.e. - benchmarking is simply about making comparisons with other organizations and then learning the lessons that those comparisons pursue." This study adopts the definition by American Productivity and Quality Center (1997), that is, "a process of improving performance by continuously identifying, understanding (studying and analyzing), and adapting outstanding practices and processes found inside and outside the organization and implementing the results." This definition overcomes all inconsistencies and considers the theme of learning from others regardless of the location, and adopting the best practices to improve the performance of the organization.

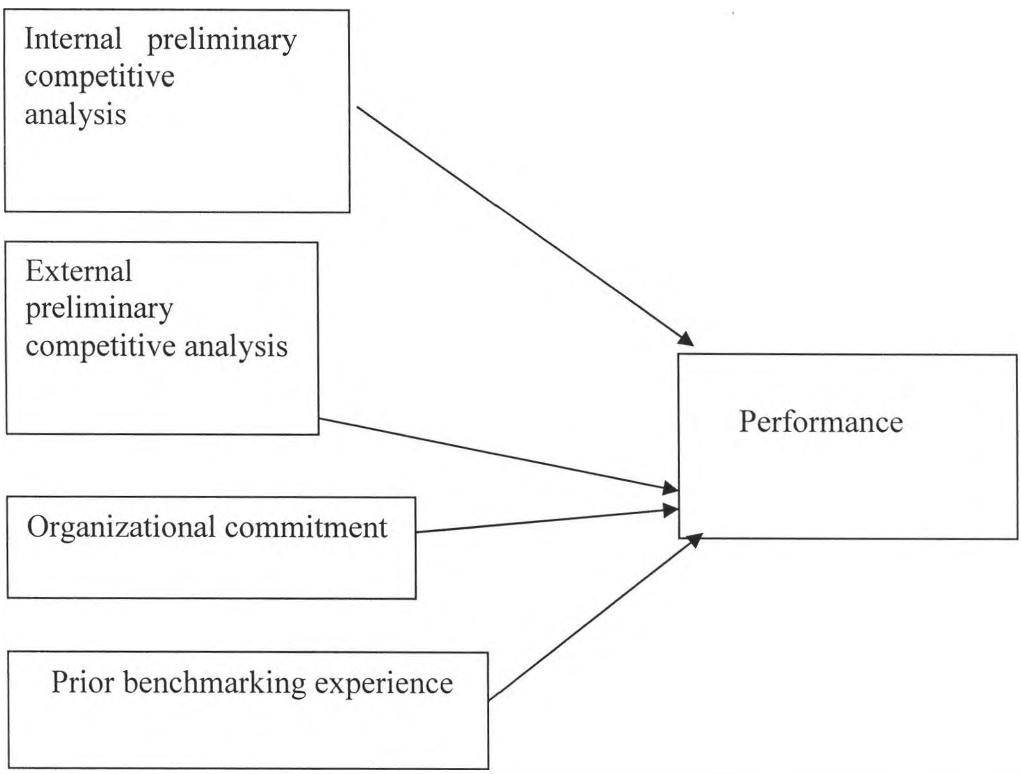
2.2 Benchmarking and operational performance

Operational performance refers to the measurable aspects of the outcomes of an organization's processes, such as reliability, production cycle time, and inventory turns. Operational performance in turn affects business performance measures such as market share and customer satisfaction (Voss et al. 1995). To understand the link between benchmarking and performance, Adam (2004), did a study with data obtained from 157 U.S manufacturing businesses. The study revealed that among the four benchmarking measures that is, (1) internal preliminary competitive analysis, (2)external competitive analysis, (3) degree of organizational commitment, and (4) prior benchmarking experience (Elnathan et al. 1996), three of them have a positive effect on performance that is significant. These include, prior experience with benchmarking, the commitment of the organization to benchmark, and internal preliminary competitive analysis.

The overall focus of management is to see what actions the company must take to remain competitive and perhaps gain competitive advantage. One widely recommended technique for improving one's competitive position is benchmarking products, services and practices (Elnathan et al. 1996; Cobum et. al. 1995). The appeal and widespread use of benchmarking is also reflected in the quality literature. Quality literature argues that benchmarking allows organizations to determine what level of performance is achievable, to set challenging but achievable goals, and to identify superior methods for designing products and/or processes (Drysdale 1997; Ittner and Larcker 1995).

A study by Elmut (1998), showed 92 of the 152 firms (62%) indicated that they have a benchmarking program and that these programs were making a great contribution to organizational effectiveness. They also indicated that the direct Dollar savings and other indirect benefits generated by benchmarking programs were greater than the cost of implementing the programs.

Fig 2.1: Theoretical relationship between independent and dependent variables



Source: *Adam Maiga, S. (2004) "The association between benchmarking an organizational performance", An empirical Investigation. Volume30 no.8 2004.*

Internal competitive analysis identifies in-house continuous improvement or business process improvement committees that identify improvements that will add value to the firm and customers. External competitive analysis on the other hand analyses processes and products of leading competitors in the same industry. Organizational commitments focus on the exchange between the employees and the firm where individuals bring skills to the organization and hope to get rewards for their contributions. Prior benchmarking is the accumulated organizational experience in an area that gives it the ability to choose best set of benchmarking partners, (Elnathan et al. 1996).

To explain the relationship between performance and benchmarking this study was guided by the following model;

$$Y = \acute{\alpha}_0 + \acute{\alpha}_1 X_1 + \acute{\alpha}_2 X_2 + \beta_1 X_3 + \beta_2 X_4 + \beta_3 X_5 + \beta_4 X_6 + \varepsilon$$

Where;

$\acute{\alpha}_0$. the intercept explaining the level of performance given no benchmarking technique applied

Control variables- Years in management (X_1), Staff compliment (X_2)

$\beta_1, \beta_2 ... \beta_4$. Are coefficients representing the contribution of the independent variables to the dependent variable

Y-Organizational performance

X_3- degree of internal competitive analysis

X_4- degree of external competitive analysis

X_5- level of organizational commitment

X_6- degree of prior benchmarking experience

ε - Error term explaining the variability of organizational performance as a result of other factors not accounted for.

According to Welch and Mann [2001], there is evidence that most firms using benchmarking will be involved in comparisons of performance metrics rather than the more rigorous style of process benchmarking. This therefore, indicates the popularity of performance measures and metrics and how they are critical elements within benchmarking organizations today and indeed, how important it is for organizations to use lead measures within benchmarking.

Leading benchmarking organizations should be extending beyond internal/external, financial/non-financial performance measures and focusing on benchmarking their lead performance measures. Performance management literature document these measures as is found in "Predictive performance measures" (Neely et al., 1995); "Leading indicators" (Cumby and Conrod, 2001; Kaplan and Norton, 2001); "Proactive-leading indicators, Preventive/subjective" (Maoochehri, 1999) "Future looking performance measures" (Bourne et al., 2000) "Lead or ex-post indicators" (Nixon, 1998); "Performance drivers" (Olve et al., 1999) and "Dynamic metrics" (Bauly, 1994). These lead measures are proactive and preventive in nature. These measures help anticipate and impact future desired results (Manoochehri, 1999). They are needed to drive performance throughout the organization (Clarke and Tayler, 1998) and they furnish information on incremental steps towards larger goals. The flexible firm must be prepared to respond to change in a timely fashion. Decision timing is critical; the right investment decision for changed circumstances is of little value if it is made too late (Wood, 1994). The cost of responding to change is smaller when the period of adjustment is longer. Forecasting change allows a longer adjustment period as compared to a more costly quick response after a competitor's response to change is observed. Continuous monitoring of the business allows a longer adjustment period as compared to a less costly intermittent monitoring (Buckley and Casson, 1999).

Voss et.al (1997) proposed that benchmarking promotes performance directly through identification of practices and performance goals. They also propose that benchmarking increases a firm's understanding of its position relative to competitors, which is beneficial for performance and argue that benchmarking is a part of a learning organization, which has links to increased performance. To understand the link between performance and benchmaking Voss et.al (1997) suggests use of indicators of good performance on both the operational and business performance frontiers. These include: measures of quality, productivity, cyle time, increased market share, and customer satisfaction.

2.3 Why benchmarking is needed

According to Kempner (1993), the goal of benchmarking is to provide key personnel in charge of processes with an external standard for measuring the quality and cost of internal activities, and to help identify where opportunities for improvement might reside. Benchmarking helps organizations to focus on the external environment and to improve process efficiency. Benchmarking is therefore a positive, practical process to change operations in a structured fashion to achieve superior performance (Camp, 1998, p. 10).

Elmuti and Kathawala (1997, p. 14) were of the opinion that benchmarking provides the following for a company: A performance assessment tool – companies know where they stand in relation to other companies; An enhanced performance tool – benchmarking also allows companies to learn new and innovative approaches, and provides a basis for learning; A growth potential tool –benchmarking can cause a needed change in a company's culture involving searching inside the company for growth; and, a job satisfaction tool – because benchmarking is growing and changing so rapidly, benchmarkers have bonded together and developed networks to share methods, successes, and failures with each other.

In a study done by Holloway and Francis (1998,p.122) it was found that respondents regarded the main benefit of benchmarking as establishing how the company is doing in comparison with similar companies – the implication being that moving up a league table was a valued end in itself. As with other quality concepts, benchmarking should be integrated into the fundamental processes throughout an organization, and should be an ongoing continuous process. A number of case studies have been done on benchmarking. One of the first being benchmarking of purchasing activities done in the year 1983 as reported by Drozdowski (1983). Subsequently many case studies have been conducted in the manufacturing sector and also in the service sector.

Benchmarking has been introduced in a great number of fields ranging from product-specific mass production industries to soft areas such as customer desk performance or the services of public libraries. Experience from a number of benchmarking exercises has shown benefits such as: cost reductions and/or a higher degree of operational efficiency; more satisfied customers and more satisfied employees. The overall objective of benchmarking is to create a basis for performance enhancement. Thus, benchmarking constitutes a systematic comparison of performances based on data and a number of tools with which to disseminate best practices.

2.4 Levels of benchmarking

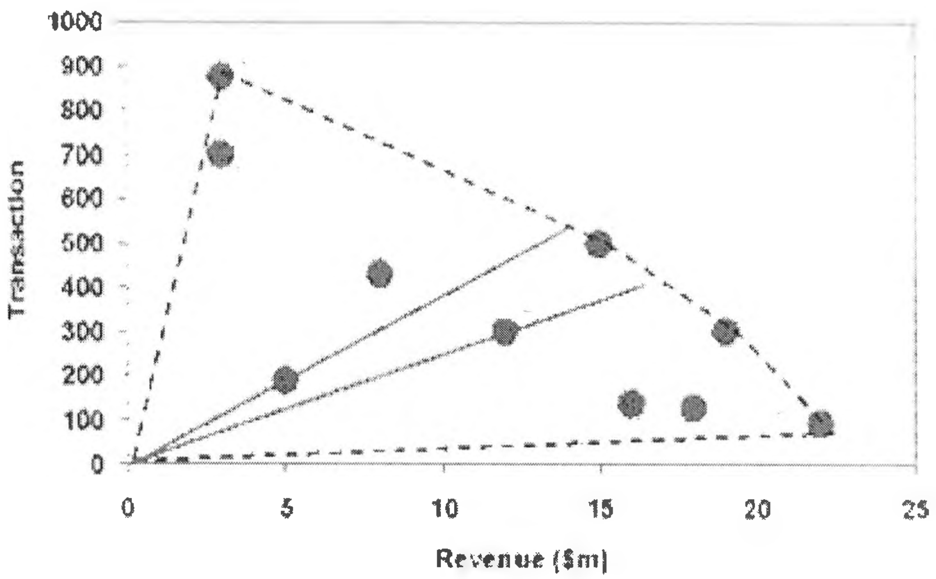
Anderson et al. (1995), suggest that benchmarking can take place basically at four different levels; Internal, Competitor/peer, Best in industry, and World class.

2.4.1 Internal benchmarking

This is looking at the differing levels of performance within your own organization and highlighting best practice for dissemination to other parts. For example if an organization has several factories making the same goods then it can analyze the best performing areas in each and then extrapolate these features to its other operations thus bringing all operations up to the best internal levels of operation.

The diagram below shows an example where an 'efficiency frontier' of several units has been plotted. The boundary maps the most efficient units on two fronts - transactions and revenue. This allows you to identify quickly the poorer performers (those inside the frontier) and where they fall behind. Extrapolating the current position up to the boundary or frontier gives you an idea of the possible gains - assuming it is possible. Due regard must be given to the context of the analysis as due to past decisions there will be differences in operations which must be allowed for, such as different IT or logistics systems, local variations in staff competencies or even raw material access, rail links etc such that the comparison is 'normalized'

Fig. 2.2 Efficiency frontier normalized to 25 staff



Source: *Anderson, 1995*

The benefits of internal benchmarking are that it is cost effective, that it is easy to gain access to all the information required, that it does not require you to give anything away to competitors or other outside parties and that the processes will be analogous. The drawbacks of internal benchmarking include that fact that even the very best internal practices may not be adequate in the face of external pressures (e.g. having very competent cashiers is better than not having them but if customers want internet banking it misses the point); that it is only looking internally and may miss the bigger picture; and that it is unlikely that you will find a radical solution internally. It is generally considered a good idea therefore to benchmark externally.

2.4.2 Competitor/peer

It concerns analyzing those firms that you regard as competitors or peers. For example a peer group in banking might include Barclays Bank, Standard Chattered Bank, Kenya Commercial Bank but might also include East African Breweries or Safaricom Limited depending on which facet you wish to explore; whilst looking at say retailing you might include Unilever and so on but might include organizations such as E-touch or e-bay if looking at on-line retailing. Typically this type of benchmarking is carried out as part of a cooperative study involving a significant number of players - e.g. the major banks; or the global custodians or the major retailers; often with the cooperation and involvement of the 'trade association' body which ensures that the study is 'fair' and using independent consultants/advisors who retain the level of confidentiality required. Each participant gives information to the study in the knowledge that it will remain confidential to it and only it will know where it lies in the study. The great advantage of this type of study is that the information so gained can be at a very detailed level of granularity that allows comparison; for example down to activity level. This facilitates identification of those important enablers as well as allowing a greater range of comparisons than with just one. It also allows you to decide what level of excellence you wish to target in your changes - which might not be the leader - especially if the majority of benefits can be gained from going part of the way. As all participants benefit, they will all give the information to enable the study to add real value.

2.4.3 Best in industry

The focus is on the firm that you consider being the leader in your own field/industry sector and finding out what it is that it does that is so much better than you. This involves getting close to it and learning - but also exchanging information. Also it is likely that others in the industry will also wish to contact it so competition will be intense.

2.4.4 World class

This means deciding that no matter what industry sector you are in - you wish to compare what you do against the best in the world. Of course the process must still be analogous, but it means that you are looking for a (probably) very stretching target. The issue here is - what can you offer the best-in-class firm to tempt it into helping you - and to make it choose you rather than any of the other firms wishing to benchmark it as well?

2.5 Types of benchmarking

Camp (1989), proposed the first basic taxonomy of best practice benchmarking types as follows: *Internal*; *Competitive*; *Generic* - e.g. comparisons in a general sense - often using terms such as customer, strategic or operational; Functional - e.g. Finance, Sales or HR efficiency (e.g. HR staff to total employees).

Other types of benchmarking have also evolved. These include global - across the world, cost - focusing on cost dynamics, and performance - looking at revenue or growth. The problem with more general benchmarking is that you are unable to drill down to the right level of granularity unless you get inside information. In order to gain value from benchmarking it is necessary to look at analogous processes - e.g. cashiering in branches. The closer you get to a benchmark then the more value that you will receive - but of course you must also give something in return as a consideration or the other firm will not be interested in giving you access to its workings. Group benchmarking fits more with the research method that may be used to work with groups of organizations that have common needs and interests in the innovation/ ICT areas (Friedewald, 2000).

Northumbria University's research has suggested that three methods have developed through benchmarking taking the form of different activities: Metric benchmarking; Diagnostic benchmarking; and Process benchmarking. Metric benchmarking concerns comparisons of performance data from other organizations. A good example is the data presented in "Manufacturing winners" (DTI, 1995), based upon the 1994 "Best Factory Awards". However, its emphasis is on the "what" rather than the "how". This form of benchmarking can help an organization to pinpoint aspects of performance that need to improve, but on its own it cannot help them to learn how to improve. Diagnostic benchmarking seeks to explore the practices adopted and performance achievement of the organization in order to identify areas of relatively weak performance and organizational practices that show room for improvement. Effectively this could be regarded as a "health check" for the organization, designed to identify practices that need to be changed and indicate the performance improvements that could and should ensue. The method builds on the idea of performance comparisons by inviting an organization to compare its practices and processes to those of other organizations, simultaneously assessing the results from their practices. In this way, the diagnosis can act as a significant step towards improving future performance through the implied organizational knowledge and learning from the standards offered for comparison. The process encourages managers to reflect on how their current practices compare with those of leading organizations, thus highlighting problems and demonstrating alternative approaches. This may then be used as a basis for setting-up an improvement agenda within the organization.

Zairi (1992) and (Camp, 1995) have explicitly described process benchmarking benchmarking in their literatures. It involves two or more organizations comparing their practices in a specific area of activity, in depth, to learn how better results can be achieved. E.g. insurance claims or delivery of bulk commodities.

2.6 Best practices

Best practices are those documented strategies and tactics employed by highly admired organizations that may or may not be in the specific industry. Process focus, pull production, equipment productivity and environmental compatibility appear to qualify as best practices. Quality management and ICT may have been best practice previously, but lost that status. E-business, new product development (NPD), supplier strategy and outsourcing are relatively new, cannot yet be qualified as, but may develop into, best practice.

Failure to observe widespread adoption of best practice benchmarking or best practice benchmarking as part of the corporate strategy of financial service providers reinforces the idea that qualitative benchmarking is limited by attitudes of individual managers and executives as noted by Whymark (1998). Benchmarking as a technique of continuous improvement relies on the premise that no single organization is capable of being exceptional in all aspects. It requires the best solutions for the inadequacies in the operations.

2.7 The benchmarking process

Benchmarking is a technique adopted as a mechanism for achieving continued improvement in organizations and entails a systematic study of best performing firms then using their best practices as the standards of comparison, standards to meet and even surpass. In practice, benchmarking usually encompasses: regularly comparing aspects of performance (functions or processes) with others; identifying gaps in performance; developing performance improvements to close the gaps thus identified; implementing the improvements; monitoring progress and; reviewing the benefits. It involves determining the areas in your organization that require improvement, studying the best performing companies and applying its best practices in your areas of low competence.

The technique requires that there is constant search for better solutions and enables the organization to be exceptionally performing in the industry. Indeed every function in the organization can be benchmarked from production to marketing to purchasing to information technology up to customer service. The process of benchmarking should be systematic. Camp (1995) suggested the following procedure:

Management commitment should be obtained. The technique requires input of the key people in the organization. It will involve resources for example traveling expenses to benchmarking partners plants, revealing some confidential information of the organization to the benchmarking partner hence the commitment of the top/ key people in the firm is very crucial for it to succeed.

Baseline your own process. For the technique to be adequately implemented there is need to understand the operations of the organization well so as not to err. The processes must be looked at in terms of their capabilities and expected returns. All the processes and operations in the organization need to be documented for the benefit of ease of understanding the organization by all stakeholders.

The problem areas should be identified. Since benchmarking can be applied to any business process or function, a range of techniques may be used to identify problem areas. These may include: Informal conversation with customers, employees or suppliers to identify areas of weakness; and exploration studies such as focus groups, benchmark teams, depth interviews, quantitative research surveys, reengineering analysis and financial ratio analysis. Identify the organizations that are leaders in these areas of weaknesses (gaps). The best in class organizations are selected irrespective of the industry or country. The identity may be obtained through consultation with customer, suppliers, financial analysts, trade associations, magazines, as well as trade journals.

Study their best practices and select the best in class. An initial study can be done through university libraries or online to understand the organizations best practices. A more detailed study should be carried by visiting the firms in person. Consequently, an evaluation is done on the best in class among the organizations identified as possible candidates for benchmarking and the most preferred candidate is chosen.

The next stage after the selection of the benchmarking partner is the signing of agreement with the partner on the degree to which they will reveal their strategies to one another and the way they will ensure they conceal their confidential issues. In this stage also, the organization will evaluate the terms of agreement and if they do not conform to the requirements may opt to go for another benchmarking candidate. This stage will include entering into terms as visiting arrangements to both organizations and limits of disclosure and Points of contact.

After formal agreements the organization can commence data collection at the partner's facilities and document all about the processes and in accordance to the limits of the agreement. This should be pursued through direct talk to the operators, understanding the process flows, its support requirements and timing controls.

The next stage is implementing the best practices. In this stage you set the measurable goals; delegate responsibility for the actions; monitor results; ensure the key personnel to implement are in place, and spread the information throughout the organization. Updating the benchmarks and repeating the process follows the implementation of the best practice. Benchmarking is an ongoing process and as such the organization should try to get at and even surpass the best in class to emerge the new best in class in that industry or region. To attain this, the organization needs to review its operations constantly to maintain its continuous improvement by continuing with the benchmarking process.

2.8 Framework for benchmarking practice

The basic idea in benchmarking is to enhance improvement in the selected areas of minimal competence. This is a hardly ending process such that the people concerned must constantly monitor results and drive further improvement; and learn how to continue to make improvements beyond the most superior they have found.

Roth and Marucheck (1994) stated that if benchmarking is carried out using best-in-class companies then the goals set are likely to be "stretch" goals that are important for improvement and learning. This suggests that benchmarking will drive organizations to become learning ones. With learning it is possible to be an expert and there arise innovativeness.

Benchmarking is a method of achieving new goals. Pryor and Katz (1993, p. 3) described that it could be a process for measuring performance against best-in-class companies, then using the analysis to meet and surpass the best in class. We would argue that those organizations that have used benchmarking to develop a "breakthrough" to establish new best practices, goods and services are "innovators". This is an important premise that will support the study of benchmarking and as such innovation in organizations in the Kenyan banking industry.

2.9 Empirical Works

Although there is inadequate empirical research into benchmarking in Kenya and in particular the banking industry, some researches have been done elsewhere in the world. A survey was conducted by Paulson (1996) to determine the use of benchmarking in the United Kingdom retail banking industry. The results revealed that, although there is a great deal of interest, few of the leading retail financial service companies were actually benchmarking. Competitor benchmarking was well established, but this concentrated on the comparison of financial results, which revealed little about the content of the business.

Similarly, there was little evidence of internal benchmarking, despite the size of some of the companies represented, which had the opportunity to benchmark with other departments, areas, regions, or even businesses within a group of companies. In another survey done by Zairi (1996), it was indicated that benchmarking in financial services proved to be an extremely useful exercise. Among other things it indicated where best practice was more likely to be found, and that it can lead to performance improvements.

Benchmarking analysis, whether it is in consumer lending or other operational areas, is critical in setting performance goals for an organization. By reviewing the best practice of others in this industry, banks can improve their operations by measuring their success relative to its competitors (Leath, 1998, p. 39). By improving key business processes through change and incorporating best practice, banks ultimately can achieve goals such as increased market share, better customer service, lower costs, and higher levels of productivity.

A study by Holloway et al. (1999) and Hinton et al. (2000), found financial service organizations to be engaged in internal benchmarking and more likely to compare relatively straightforward metrics than organizational processes. These case studies suggest there is growing interest in comparing processes and procedures to ascertain best practice from participants in the markets for personal financial services. Most benchmarking by organizations has generally revolved around Camp's model. For instance, researchers at Northumberland University (Newcastle Business School, Centre for Business Excellence) have unearthed more than 16 types. In their conclusion they suggest that, on closer inspection they fit into Camp's suggested four types that is, internal; competitive; functional and generic benchmarking.

Framework for benchmarking practice in communication and technological industry has been reviewed and documented. Yasin (2002), provides some key findings: Firstly, that the overwhelming majority of articles are found in practitioner type journals (349 practitioner, 24 academic and 42 books out of a total of 415 key articles between 1986 and 2000); Secondly, that it has evolved since with little if any diffusion or knowledge from the academic community; Thirdly, only two of the identified key articles may be considered to relate specifically to benchmarking ICT practices or performance; Fourthly, that benchmarking research and applications lack a system-wide organizational approach; Fifth, that there is a lack of approaches to quantifying costs and benefits of benchmarking especially for small firms.

Yasin (2002) concludes that, despite the increasing scope of benchmarking activities and the numbers of organizations utilizing benchmarking, the field of benchmarking has no distinctive theory to guide its advancement. Additionally, that researchers in the field of benchmarking are faced with the continuous need to develop innovative methodologies to guide benchmarking practices in emerging technologies such as e-commerce and supply chain management.

A study by Chico (2005), the 2005 Managed Services Benchmarking Report alliance and THINK strategies Benchmark reported the following performance improvements: Sales revenues have grown 80% in the past year, average sales cycle time has dropped from six (6) months in 2003 to four months, average contract length has grown to approximately 20 months, compared with 16 months in 2003, and the proportion of existing clients that buy additional managed services grew to 67.8% from 64.7% in 2003. As a result of these operating improvements, nearly two-thirds (64.3%) of the MSPs participating in the benchmark study are cash flow positive, and the majority of the survey participants that are not currently cash flow positive expect to be within twelve months. In this study it is evident that the use of benchmarking truly leads to better and improved performance.

Literature on benchmarking, carried out as a part of on-going research, has identified certain issues which have not been satisfactorily addressed or not been addressed at all. These issues can be regarded as inadequacies and they offer scope for further research and exploration. The issues identified include:

The establishment of the overall cost incurred in carrying out a benchmarking exercise, say in terms of cost models or cost equations. This would enable the decision makers to decide upon financial commitment before embarking on the benchmarking exercise. Further it would allow to estimate the return on investment, and to convince the top management. While a precise model is difficult, because of variability of factors involved, an approximate method would be quite useful.

Guidelines regarding setting up of a timeframe for conducting benchmarking are not available therefore leading to the question about duration of the benchmarking process. If a method can be described to decide upon the total time involved in benchmarking exercise, it would prove very helpful in setting targets and deadlines.

Human resources in benchmarking activities has not been adequately addressed, the rationale behind formation of cross-functional benchmarking teams, identification of tasks of benchmarking teams, and responsibility sharing among benchmarking teams, have not been discussed in sufficient detail. The human role in benchmarking activities needs to be clarified in complete depth to ensure better teamwork in a benchmarking project. Equally, Selection of partner or superior performer, their duties and responsibilities, legal and business aspects are to be further elaborated.

In view of the above, benchmarking and the use of total quality management (TQM) principles have become increasingly important in the financial industry. The importance of benchmarking as an enabler of business excellence has necessitated an in-depth investigation into the current state of benchmarking in the Kenyan financial industry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This study was a case study design aimed at assessing Barclays Bank's application of benchmarking technique to improve on its operations. According to Kothari (1990), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of a study. A study by Kandie (2003), on customer perception in Kenyan banks found out that it is quite difficult to source information in the banking industry.

The case study design was chosen rather than for instance, the cross-sectional survey because the objectives of the study requires an in-depth understanding of the strategy, implementation and the challenges faced in the banking sector. Barclays Bank is one of the leading banking organizations in Kenya. In the third world countries, Barclays Bank has a wide if not the widest field of operations in the banking industry in Africa and the Middle East (available at www.barclays.com/africa/kenya/index.html). A case study of Barclays was therefore justified.

3.2 Data collection

Data was colleted by use of semi-structured and structured questionnaires. The questionnaire was divided into two (2) sections that is, general questions, and implementing best practices. The respondents comprised mainly the departmental managers or their equivalents. This was because the departmental managers are involved in the major decision-making regarding the operational strategies as well as the implementation of the strategies. Each Barclays Bank's operating centre has averagely 10 to 25 departments. Given the fact that the operating centres are in the same geographical area a sample size of 10 respondents per centre was seen as adequate.

3.3 Data Analysis

This was mainly descriptive and was done using Excel and SPSS packages. Additionally, qualitative analysis was done in respect to responses given by the respondents in regard to some of the questions they were asked.

Multiple regression analysis was used to test the relationship between benchmarking and performance. The study sought to establish whether there is a relationship between organizational performance and the various benchmarking measures. This was determined by analyzing the significance of the model through its coefficient of determination and the F- test. Further analysis was done to determine the strength of the relationship between the various benchmarking measures and performance.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers the summary of the data obtained from the study. The data is analyzed and presented in the form of tables, proportions, tables as well as charts. It covers the summary of the benchmarking study on Barclays Bank of in Kenya. Data collection was done from the five operating centers of Barclays Bank of Kenya with respondents being mainly the team leaders/ departmental managers in the respective departments of the operating centers.

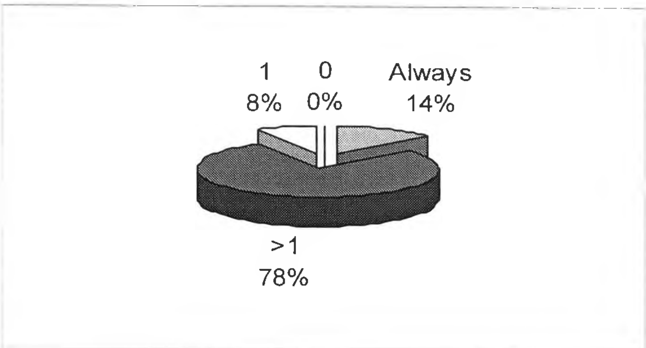
4.2 The analysis method

Entries have been calculated by weighting each response category and then calculating the mean scores by weighted analysis of the number of responses. A licker scale of 1-5 was used and the highest score 5 assigned a weighting of 100% such that if all respondents chose 5 the question would garner 100%, 4 =75%, 3=50%, 2=25%, and 1=1%. Questions with Yes and No were analyzed according to the percentage of the response to each of the questions such that if 20 chose Yes and 17 chose No it would be said that 54% were comfortable with the issue while 46% were not in agreement.

4.2 Response rate and degree of understandability of benchmarking technique

The study was a case study and based on primary data. Out of the 50 respondents sampled for the study, 37 responded positively giving a response rate of 74 percent. The high response rate could be attributed to the fact that most respondents had previous benchmarking experience with a mean of 75.8% as the study found; hence the majority of the respondents understood the technique fairly well. Chart 4.1 shows respondents degree of engagement in benchmarking initiatives. The study found that 78.4 %, that is, 29 of the *respondents had engaged in benchmarking more than once; 13.5 %, that is, 5 of the* respondents had always benchmarked; 8%, that is, 3 of the respondents had benchmarked once; and 0% had not been engaged in benchmarking. Only 28 percent did not respond which could be attributed to fear of being victims of revealing confidential information to the public and also pressure of work that did not allow some respondents to respond.

Chart 4.1: Respondents degree of engagement in benchmarking initiatives



Source: *Research data*

4.3 Levels of benchmarking

The study sought to examine the level of benchmarking mostly pursued in Barclays bank of Kenya by asking the respondents whether they benchmarked more internally, competitively, with reference to best in class, or world class benchmarking. Table 4.1 shows the level to which the respondents pursued benchmarking technique. The response received revealed that Barclays bank of Kenya pursued world class benchmarking 61%, engaged in internal benchmarking 23%, 11% went to best in industry while 5% to competitor benchmarking.

Table 4.1: Level of benchmarking

Level	Percentage	Rank
World class	61	1
Internal	23	2
Best in industry	11	3
Competitor	5	4

Source: *Research data*

4.4 Involvement in change initiatives

The study sought to establish whether the respondents participated in change initiatives and whether they willingly took up benchmarking activities. The study also investigated on the acceptance of the benchmarking data given by the benchmarking partner. All the respondents (100%) said they participated in the change initiatives the bank pursues. This indicates the degree to which the management involves the stakeholders in benchmarking activities which is very essential in the benchmarking process. There were however, varied responses in regard to willingness to take up the benchmarking activities with 64.6% saying they willingly took up the activities, 35.4% took up the activities unwillingly. The study also found that only 53% of the respondents felt comfortable with the benchmarking data they received, 47% felt uncomfortable with the benchmarking data they got.

4.5 Benchmarking and performance

To examine the relationship between benchmarking and performance, the study first sought to measure the level of performance through benchmarking. Five measures of performance were used to gauge the level of performance, these included; quality of service, customer satisfaction, inventory turnover, productivity growth, and the operating costs. These measures were weighted to get the average performance level. Consequently, the study asked the respondents to rate the influence of the benchmarking measures on performance. These were then weighted and analysed by matching the mean scores of performance and the mean scores of the benchmarking measures. The regression equation was calculated using the multiple linear regression routine of the computer programs Ms Excel and SPSS using standard ordinary least squares (OLS) procedures.

4.5.1 Correlation analysis

Table 4.2 shows correlation coefficients between the various variables of the study. The correlation analysis shows that the four benchmarking measures have some relationships albeit at different strengths with performance.

The results in table 4.2 show the Pearson Sample Correlation coefficients of the variables in the study. At 0.05 significance level, the results show that, there is a strong , linear and positive correlation between performance and three of the four measures of benchmarking, that is, internal competitive analysis $r_{y,1}$=.855, organizational commitment $r_{y,2}$=.648, and prior benchmarking $r_{y,3}$=.798.

At $r_{y,4}$=-.042 implying that external competitive analysis is indirectly and very minimally related to performance. At 0.05 significant level it therefore means that external competitive analysis is not significant in determining performance during the benchmarking process.
The descriptive statistics showed that Barclays bank has averagely 7 staff members per department. However, this could range between 4 to 10 as suggested by the standard

deviation of ~3. The study also shows that performance level is averagely 72% with a deviation of a low of 62% and a high of 82%. The mean scores for the benchmarking measures is very encouraging as they range between 74%-76% except for external analysis at 34% meaning it was not regarded as very essential in benchmarking process.

Table 4.2 Correlations (Pearson correlation)

Variables	Performance	Internal competitive preliminary analysis	External competitive preliminary analysis	Organizational commitment	Prior benchmarking experience
Performance	1.000	0.855	-0.042	0.648	0.798
Internal competitive preliminary analysis	0.855**	1.000	0.065	0.615	0.583
External competitive preliminary analysis	-0.042	0.065	1.000	0.320	0.017
Organizational commitment	0.648**	0.615	0.320	1.000	0.518
Prior benchmarking	0.798**	0.583	0.017	0.518	1.000

** **Correlation is significant at 0.05 level**

Source: *Research data*

Table 4.3: Coefficients

	Coefficients	Standard Erro	t- Stat	P-value
Intercept	-12.3168418	6.017222	-2.04693	0.049512
X1	0.3168418	0.194764	1.791535	0.083301
X2	0.254507	0.223783	-1.23528	0.226315
X3	0.54389699	0.084723	6.41968	4.34E-07
X4	-0.05453118	0.041803	-1.30447	0.201994
X5	0.158073643	0.092572	1.70758	0.098045
X6	0.448322188	0.08657	5.178707	1.41E-05

Source: *Research data*

Where Y—Organizational performance

X1—Years in management

X2—Number of staff

X3- degree of internal preliminary competitive analysis

X4- degree of external preliminary competitive analysis

X5- level of organizational commitment

X6- degree of prior benchmarking experience

Table 4.3 shows the coefficients of the independent variables. The regression model can be written mathematically as:

Y= **-12.3168418** + **0.3168418**X1 + **0.254507**X2+ **0.54389699**X3 **-0.05453118**X4 + **0.448322188**X5 + **0.158073643** X6

We can therefore argue that performance is related to benchmarking and the major benchmarking measures that are associated with performance at 0.05 significance level are internal preliminary competitive analysis and prior benchmarking experience given their small p values of 4.34E-07 and 1.41E-05 respectively as shown on Table 4.3 above.

4.5.2: Significance of the model

Table 4.4 shows Adjusted $R^2 = 0.88$. This means that the model using benchmarking could be used to explain 88% of the variability of performance. We can therefore say that benchmarking has a large bearing on performance. Only 12% is accounted for by other variables not included in the model.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R^2	Std. Error of the Estimate	Durbin-Watson
1	0.855	0.731	0.724	5.0719	
2	0.932	0.868	0.860	3.6099	
3	0.941	0.886	0.875	3.4058	2.343

Source: *Research data*

Durbin-Watson of 2.343 shown on Table 4.4 is however undesirable as it is more than the standard 2.00 thus implies that there may be some negative autocorrelation among the errors from one observation to another.

Table 4.5 shows F- value of 46.5799, and f -significance of 7.04923E-14 which means that there is high significance of the model at alpha= 0.05. This means that the model using benchmarking measures internal preliminary competitive analysis, external preliminary competitive analysis, level of organizational commitment, degree of prior benchmarking experience can be relied on to explain the variability of operational performance.

Table 4.5: Anova

	Df	SS	MS	F	Significance F
Regression	6	3027.36	504.56	46.5799	7.04923E-14
Residual	30	324.9642	10.83214		
Total	36	3352.324			

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter of the study highlights some of the findings, conclusions, recommendations, and suggestions for further study.

5.2 Summary of the findings

The objectives of this study were to establish the benchmarking practices pursued by Barclays bank of Kenya, establish the relationship between benchmarking and operational performance, and to establish the challenges faced by Barclays Bank of Kenya during the benchmarking process.

This study sought the establishment of the relationship between benchmarking and performance by using the four benchmarking measures as suggested by Elnathan (1996) and also used by Adam (2004). The results show that three of the benchmarking measures have a positive effect on performance that is significant, these include, prior experience with benchmarking, the commitment of the organization to benchmark, and internal preliminary competitive analysis. These results are consistent with the findings of Adam (2004) who also found that during the benchmarking process these three are the most significant.

This study has established that Barclays bank of Kenya pursues world class benchmarking most of the times as is shown on table 4.2 on the levels of benchmarking. The respondents were of the opinion that benchmarking with competitors in the industry was the least important form of benchmarking (5 percent of respondents), as compared with internal benchmarking (23 percent of respondents), best in industry (11 percent of the respondents), and "best-in-the-world" benchmarking (61 percent of respondents). These results are rather contradicting the findings by Vermeulen (2003) who found out that in South Africa most financial organizations pursued competitor-benchmarking most. However, Vermeulen (2003) study did not incorporate best in industry benchmarking in his study.

5.3: Conclusions

Benchmarking describes a set of empirical practices that have been known to be part of a set of best practices, including total quality management (TQM), just-in-time (JIT) and many others. In many cases, the linkage between best practices and improved performance are assumed to be self-evident. This study has examined how the benchmarking strategy contributes to performance.

Benchmarking as an enabler of operational excellence is realized by the banking sector, and that its continued provision of extensive benefits is accepted. However, according to the respondents, there are various problems regarding the effective implementation of benchmarking the most being misrepresentation of partner competencies 84%. Others High benchmarking costs 79.4%, inadequate communication during benchmarking process 75%, difficulty in getting information 77.6%, Lack of benchmarking [unreliable] partners 78.3%.

This research found that the bottom-line benefit of benchmarking is improved competitiveness, and increased satisfaction in the eyes of customers. These two benefits received a resounding 100% rating by the respondents. Effective use of benchmarking was also found to lead to increased market share, growth, decreased costs, and improved financial results all of which received between 74% -92% rating by the respondents.

Overall, the results obtained while not being conclusive, give strong indications that, benchmarking is indeed essential in continuous improvement of the operational performance of banks. With the four benchmarking measures as proposed by (Elnathan et al. 1996) the study found that three of them prior experience with benchmarking, the commitment of the organization to benchmark and internal preliminary competitive analysis do have a relationship with performance a result consistent with Adam (2004) study.

We can therefore conclude that benchmarking is related to operational performance and that for organizations to realize improved performance those engaged in the benchmarking activities must have prior experience with benchmarking or be well trained to gain insight on the benchmarking process and reasons behind the adoption of the technique, there must be of necessity commitment of the organization especially top management to benchmark, *and internal preliminary competitive analysis should be done.*

5.4: Recommendations

This study contributes to operations management by integrating theory and empirical data to investigate whether benchmarking, as an organizational learning tool, leads to improved operational performance. This is important because few studies have to date tested the links between best practices and operational performance in Kenya.

This study has established that benchmarking is a very essential tool for an organization that intends to continue performing well and ideally all organizations would wish to perform well in their operations. This study has also established that world class benchmarking is very essential for best performing banks and as such should be embraced by all banks to enhance their operational performance.

The following are recommended for organizations especially in the banking sector in Kenya that wish to reap the benefits of a successful benchmarking exercise:

1. Develop internal performance indicators, and measure only those key processes that will have a definite impact on business performance.
2. Areas and processes that need improvement should be assessed to establish the current state of performance.
3. The company should decide what aspects or processes it wants to benchmark. Select a suitable competitor or other organization within the industry or world class performer against which to benchmark. Although internal benchmarking is much easier to execute world class benchmarking is essential as a result of the growing globalization.
4. A consensus should be reached on what best practices to adopt by all the stakeholders especially those engaged in implementation.
5. Continuously improve business processes. Benchmarking is a continuous process and to improve in performance it should be a never-ending process.

5.5: Limitations of the study

This study was limited in several dimensions.

1. Not all the expected respondents did respond as the study managed to get only 74% of positive response. Sourcing information was difficult in some areas as some respondents were driven by fear of revealing confidential information.
2. Financial hitches and time constraints affected the study as the study required a lot of study and corrections from time to time to reach its conclusive end. Equally time was not enough to ensure all responses were received as some respondents had lots of pressure at work to fill the questionnaires in time.

3. It was not easy to get the operational managers to fill the questionnaires and give adequate time for interview hence the respondents were mainly the departmental managers.

5.6: Suggestion for further research

This study was a case study of Barclays Bank of Kenya meaning it did not cover the entire banking sector and the financial sector. It would therefore be necessary to undertake a research that covers the entire banking sector and/ or the financial sector to review the relationship between performance and benchmarking. This would be important as it would show whether there exists any correlation of the various variables used in this study within the entire banking or financial sectors.

Pursuing the study in different organizations in Kenya and comparing the findings of this research would enable further understanding of topic.

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Appendix I: Letter of Introduction

Dear Respondent,

I am a student pursuing a Master of Business Administration [MBA], Operations Management degree at the School of Business, University of Nairobi. My study intends to examine the continuous operational improvements in the banking industry using the benchmarking strategy.

The questionnaire attached asks questions about the banks ability to improve its performance through the employment of benchmarking strategy. Based on your experience and knowledge, please indicate the most appropriate Response.

Your participation is essential to this study and will enhance our knowledge of benchmarking in operations management in Kenya. I also wish to assure you that all information with respect to this research will be treated with the strictest confidence it deserves and will only be used for academic purposes, and in no circumstance will your name be mentioned in the report without your prior permission. If you would like, we can send you the report of the findings on request.

Kindly assist in providing the required information. Thank you very much.

Ogollah Vincent. [MBA Student]
P.O Box 25652
00603- Nairobi.
Tel. 0720-498921

Mr. Onserio Nyamwange S. [Supervisor]

Appendix 2: Interview questionnaire

PART A: General questions

1.1 Name of the Station / Centre.........................

Job Title.......................................

1.2 Number of years in management in this organization........................

1.3 What is the number of staff in your department?........................

1.4 Do you agree with the following statements? (Tick where applicable)

STATEMENT	YES	NO
I engage in change initiatives the bank makes for its operational improvements		
Barclays experiences pressure to respond to the turbulent changing environment		
Faced with the changing environment Barclays does adapt its activities with internal configurations to reflect the new externalities		
Best practices should always be emulated		
Improving by learning from others is essential for continuous improvement		
Benchmarking is an essential tool for continuous improvement of quality		
Most banks in Kenya engage in benchmarking		
Barclays engage in collaborative approaches to improve its performance and competence		
I have engaged in benchmarking in Barclays bank more than once		
I have never used the benchmarking technique		
I have always benchmarked		
I have been engaged in benchmarking only once		
The effort put to benchmark always lead to commensurate returns		
I always take benchmarking activities willingly		
I always feel comfortable with data provided by the benchmarking partner		
Barclays bank's initiatives has always led to operational effectiveness		
Most banking activities are fairly similar, therefore comparison is relatively easy		
Benchmarking should be based on quantitative rather than qualitative data		

PART B: Best practices implementation

2.1 How would you rate the following issues on a scale of 1-5 where **5** is highest and **1** is lowest

Issue	1	2	3	4	5
A) Barclays has a competitive advantage in the following areas					
Finance function					
Marketing function					
Research and development function					
Human resource function					
Operational function					
Security function					
B) Barclays has always pursued					
Internal benchmarking					
Competitor benchmarking					
Best in industry benchmarking					
World class benchmarking					
C) The following internal factors influence the Banks competitive capabilities to meet its objectives					
The bank's corporate culture					
Organizational structure					
Organizational resource capabilities					
Organizations' systems and policies					
D) Through benchmarking Barclays has seen positive changes in the following areas					
Quality of service					
Customer satisfaction					
Inventory turnover					
Productivity growth					
Operating costs					
E) Internal preliminary competitive analysis is essential in implementing benchmarking technique as it has a bearing on					
Quality of service					
Customer satisfaction					

Inventory turnover					
Productivity growth					
Operating costs					
F) External preliminary competitive analysis is essential in implementing benchmarking technique as it has a bearing on					
Quality of service					
Customer satisfaction					
Inventory turnover					
Productivity growth					
Operating costs					
G) Degree of organizational commitment is essential in implementing benchmarking technique as it has a bearing on					
Quality of service					
Customer satisfaction					
Inventory turnover					
Productivity growth					
Operating costs					
H) Prior benchmarking experience is essential in implementing benchmarking technique as it has a bearing on					
Quality of service					
Customer satisfaction					
Inventory turnover					
Productivity growth					
Operating costs					
I) Benchmarking is essential because of the following benefits					
Leads to improved profitability					
Leads to good return on assets					
Leads to increased sales					
Increases customer satisfaction					
leads to decreased cost					
Increases productivity					
Enhances competitive advantage					
leads to increased market share					

J) We always discover gaps in your daily operation through					
Comparison with others					
Market research					
Comparison with past performance					
K) The following challenges do affect our efforts to benchmark our operations					
Lack of benchmarking [unreliable] partners					
Misrepresentation of partner competencies					
High benchmarking costs					
Difficulty in getting information					
Inadequate communication during benchmarking process					
Difficulty to get a benchmarking partner					
L) The following external conditions and forces affect the bank's strategic options and its competitive situation					
Political					
Economical					
Social					
Technological factors					
The firms' competitive position					
Customer profile					
Reputation among suppliers and creditors					
Accessible labour market					

2.2 Has the top management provided the following operational mechanisms?

(Tick where applicable) **Yes** **No**

(a) Setting the right climate (will to respond) [ ] [ ]

(b) Competence (ability to respond) [ ] [ ]

(c) Capacity (volume to respond) [ ] [ ]

2.3 What other challenges do you face in pursuing benchmarking Strategy?

………………………………………………………………………..

Thank you for your cooperation.

Appendix 3: Barclays Bank of Kenya's operating centres

1] Barclaycard centre

2] Operating processing centre [OPC]

3] Bank house

4] Plaza corporate

5] Voucher processing centre [VPC]