

**BENCHMARKING PRACTICES AND PERFORMANCE OF  
SUPERMARKETS IN NAIROBI COUNTY**

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## DECLARATION

This research project is my original work and has not been presented for examination or award in any other University.

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

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## **DEDICATION**

This research project is dedicated to my wife and parents for their love, support and encouragement.

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## **ABBREVIATIONS & ACRONYMS**

<b>EA</b>	-	East Africa
<b>ES</b>	-	Economic Survey
<b>NCC</b>	-	Nairobi County Council
<b>RDT</b>	-	Resource Dependence Theory
<b>SACCO'S</b>	-	Saving and Credit Cooperatives Societies.
<b>SMES</b>	-	Small and Medium Enterprises
<b>SPSS</b>	-	Statistical Package for Social Sciences
<b>SWOT</b>	-	Strengths, Weaknesses, Opportunities, and Threats



## ABSTRACT

The purpose of this research was to establish the correlation linking benchmarking practices and the performance of supermarkets in Nairobi County. The study adopted a descriptive research design aimed at exploring the correlation involving benchmarking practices and performance of supermarket in Nairobi County. The target population for this study was all the 32 supermarkets in Nairobi County. Primary data was obtained using self-administered questionnaires. The questionnaire was made up of both open ended and closed ended questions covering issues associated to benchmarking practices. All questionnaire forms were collected and inspected to ensure that they were complete and consistent. Once data screening was complete, descriptive statistics for all variables was run. Initial descriptive analysis was performed using SPSS 22 including frequencies, percentages, mean score and standard deviation. For the parametric data, Pearson's Product Moment Correlation Coefficient ( $r$ ) was employed to establish the correlation among variables. Then data was presented using Frequency tables and graphs. The study established that benchmarking practices has been applied in the supermarkets in Nairobi County. The study revealed that in relation to process benchmarking companies have focused on achieving improvements in key processes to obtain quick benefits. The research also summarizes that in order to improve on functional benchmarking supermarkets compare the business functions with others which have lead to incremental innovation. The research noted that less time and resources are needed for internal benchmarking. The findings were clear that companies benchmark with partners drawn from the same sector. Based on the research findings, the study concludes that process benchmarking leads to improve the performance of supermarkets in Nairobi County. Basing on the finding and conclusions the study recommends that operation managers of supermarkets should focus highly on accomplishing enhancement in key processes to attain fast results. The operation managers also have to improve on specific critical processes relative. The study also recommends that operation managers of supermarkets in Nairobi County to compare the business functions with others which have lead to incremental innovation. The study further recommends that operation managers of the supermarkets in Nairobi should increase the level of internal benchmarking in their industries since internal benchmarking requires less time and resources. In order to suppress stiff competition in the industry the study recommends to operation managers to take into account competitive benchmarking, in relation to this the operation managers of the supermarkets should benchmark their products with partners drawn from the same sector. The study finally recommends that operation managers of the supermarkets have to improve on overall performance of their supermarkets by focusing on general approaches that have facilitated high-performance to thrive.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

In an aim in identifying more efficient ways of performing activities and company operational processes, supermarkets are giving more attention to benchmarking (Skandalakis & Nelder, 2001). Benchmarking entails comparing key activities with world class greatest practices. It endeavors to classify an activity, such as client order processing, that requires to be enhanced and finding a non-rival organization that is considered to correspond to world class best performance for the activity and learning on how it executes the activity (Drury, 2009). An entire process, no matter how well controlled, it is capable of enhancement. In reality, in currently the emphasis has shifted remarkably towards creating enhancement on the key duties of operations supervisors of Supermarkets. For any operations supervisor to chart their approach to the upgrading of their operations, they have to identify the level they are currently in.

The complexion of competition has changed towards a more collaborative approach while taking care to improve competencies and capabilities. This results from the realization that other firms facing the same turbulence in the business environment are doing things better. A study by Voss, Ahlstrom and Blackmon (2012) identified an indirect link between benchmarking and performance as it increased understanding on firm's position relative to its competition. Benchmarking participation promotes a way of life which stresses on quality and assessing one's own performance as well as cultivating a culture of accountability for it. This in turn improves on customer relations and promotes self-criticism. Continuous improvement may simply be defined as a process of finding ways to advance some elements of a business such as price, excellence, delivery, and client service persistently. Rich, (2012) opines that, "all through the preceding two decades, benchmarking has confirmed to be an efficient quality enhancement tool". According Drury, (2009), in benchmarking a company's

approach, product, process, and service performance is measured alongside top performers in the same industry.

Every part of an operation consequently requires some sort of performance standard as a prerequisite of improvement. Plainly, performance customarily would consequently comprise simply of evaluating the performance realized from the operations of a department and checking whether it is superior or worse than that of its rivals (Norman, 2001). Leaders are confronted more than ever by concerns of excellence, cost, competitiveness, swift change, outdated culture, and innovative know-how and in a number of instances a desire to re-invent the organization. Benchmarking is important as a instrument to imitate existing greatest practices in the business for attaining continuous improvement in business operations. The changes in the competitive environment are so rapid and it calls for a closer watch on the environment and the ability to adapt quickly to any stuff in the operating platform. Benchmarking recognizes that ideas are available everywhere, the challenge is seeking them and applying them. Superior performance or dantotsu which in Japanese implies aiming to be the greatest of the greatest tries to capture the significance of benchmarking (Vermulen, 2003).

### **1.1.1 Benchmarking Practices**

Corporations adopt benchmarking activity to get better on their performance level and also as an organizational plan for knowledge and correction. A firm that does benchmarking is able compare it's operational and management practices and performance to those of its rival firms, or to those firms which are deemed to be top-notch or the finest in that industry. Information obtained from other organizations is therefore valuable in mounting the benchmarking industry's operational and management practices (Saxena, 2011).

Benchmarking is defined by the Water Environment Research Foundation (2004) as a systematic search process for the most excellent practices, novel ideas, and the most successful operating procedures that can steer to greater performance and then adopting them to improve the performance level of one's own firm. It is therefore a continuous process which offers a practical tool for enabling an industry to evaluate its performance level, to an ordinary firm or other firms. Benchmarking can therefore be described as a development method of improvement on performance by continually categorizing, adapting as well as understanding exceptional practices and procedures found within or external to the firm (Jackson & Lund, 2000).

Given the significance of supermarkets inventiveness for continuing expansion, benchmarks should be used for evaluating supermarkets innovativeness in terms of the requisite activities for companies to innovate in practice (Guimaraes & Langley, 1994). This activity is geared towards enhancing client relations and encouraging self-criticism. There are a number of benchmarking styles namely; process benchmarking, internal benchmarking, performance benchmarking, functional benchmarking, generic benchmarking, strategic benchmarking, and competitive benchmarking (Watson, 1992).

### **1.1.2 Organizational Performance**

The performance level of organizations found in any sector or business is exceptionally critical to management in view of the fact that it describes the end result which has been realized by an entity or a collection of individuals in an institution. In this study, however, institutional performance is described in terms of the capacity of an organization to satisfy the preferred expectations of three key stakeholders consisting of owners (government), workforce and clients. To Chen and Chen (2008) institutional performance implies the "conversion of inputs into outputs for realizing definite results. With consideration to its

substance, performance enlightens concerning the relationship linking least and efficient cost (economy), among efficient cost and recognized output (efficiency) and connecting output and attained result (effectiveness).

Borade (2008) states that institutional performance entails persistent activities that set up institutional goals, monitors the growth towards the objectives and makes modifications to realize the objectives more effectively and efficiently. It can therefore be argued that organizational performance can be judged in terms of whether or not an organization has achieved the objectives set before it. Borade (2008) further states that a measure of organizational performance is an understanding of the relationship between economic inputs and outputs. Financial and operational limitations have been suggested to be one of the most main hurdles to growth (Storey, 1994). It has also been suggested, that especially supermarket's face the most difficulties in achieving their financial and operational objectives, it is for this reason most of them are turning their attention to benchmarking so as to be financially stable and independent

### **1.1.3 Benchmarking Practices and Organizational Performance**

Benchmarking compares Supermarket's industry methods and financial performance metrics to business most excellent or most excellent practices from other companies. Supermarkets management recognize the greatest outlets in their business or in a different firm where related processes are present, and judges against the outcomes as well as the processes of those considered to one's own outcomes and processes. Through this mode the businesses gain knowledge of how well the targeted firms achieve and, more prominently, the production methods that elucidate why these businesses are flourishing. Benchmarking has various benefits; it offers an incentive for building breakthrough change programs reality and it enlarges an organization's experience base. It also provides a self-determining appraisal of

how well a process is operating by assessing similar processes in the organization (Watson, 1994). Benchmarking contributes to competition fundamentals such as customer focus, organization learning, innovation and motivation.

Benchmarking provides a gap analysis tool between where a company is and the best in class organizations. Innovations and technical breakthroughs are identified and their applicability assessed. Most benchmarking gurus agree that benchmarking focus on how to develop any specified business process by taking advantage of most excellent practices. Most excellent practices are the grounds of top performance (Coughlan, 1996). Learning top practice offers the maximum prospects for attaining strategic operational and financial benefit. Benchmarking also promotes the evolution of a learning culture through the organization. It is the key to continuous improvement, total Quality management and competitiveness over a long period. Making better informed decisions based on getting more and better information ensure less chance for error.

Through benchmarking, a business is able to apply best practices in order to achieve best performance. In a competitive market place quality improvement tools can help align key business process in the supply chain to achieve higher customer satisfaction, business competitiveness and bottom-line results (Cassell et al., 2000). According to Hinton (2001), benchmarking is widely accepted in the private sector in the exploration for and absorption of best practice to realize competitive advantage.

#### **1.1.4 Supermarkets in Nairobi County**

A supermarket is a marketing intermediary that sells to ultimate consumers for their own use. Supermarkets create utility for consumers, that is, the need-satisfying ability and worth that an institution adds to commodities and services by making them more valuable or available to customers. In East Africa, Kenya is the most highly developed in terms of existence of

supermarkets. The Kenyan supermarket division is composed of diverse categories of local chains: Grocery, Electronics (GAIN, 2008). It was noted that the bulk of supermarkets are in Nairobi. Supermarkets in Kenya mushroomed from upper income suburbs in large cities to middle class and poorer consumer markets. The spread of supermarkets then advanced into `poorer and less advanced countries` such as Uganda, Tanzania, Rwanda and South Sudan. Njenga (2006) noted that advancement in supermarkets is more evident from the fact that Kenya's five major towns; Nairobi, Kisumu, Mombasa, Eldoret and Nakuru had more than 165 supermarkets. The expansion of Kenyan supermarkets is similar to that of South Africa.

Presently, Kenya has more than 300 supermarkets distributed across the country (Economic Survey, 2015). Mageto (2009) maintained that the supermarkets sector composed of three tiers, first, second and third tiers. The clear market leaders Uchumi, Nakumatt and Tuskys supermarkets belong to the first tier. They have domestic-capital chains representing 65% of the supermarket sector (Neven and Reardon, 2004). The second tier, Ukwala and Naivas chains, have 28% of the huge design stores in Kenya. Supermarkets in the second tier sector have gone beyond the other supermarkets and are increasing more rapidly, growing their supremacy over time. The third tier consists of small chains of which are about 40 and autonomous (single stores) supermarkets. In this category, we find the smaller cities as well as those that have conventionally accommodated high-income set and emigrants. Supermarkets in Kenya play a very significant economic role.

Each supermarket strives to ensure a memorable shopping experience to their customers to win customers loyalty and consistent shopping visits. There are many supermarkets operating within Nairobi notable among them Nakumatt, Tuskeys, Naivas, Mathai, Ukwala and Kamindi. Other countries have also entered the local market notable among them South Africa's "THE GAME" which entered the market with the aim of revolutionizing the supermarket business in the region. Supermarkets in Nairobi have are increasingly growing in

number and size and are expected to grow further in the future. Supermarkets in Nairobi have faced stiff competition as each superstores endeavor to outsmart each other. The divergent consumers taste for the different brands and the consistent consumer disposable income has ensured considerable growth in the market.

## **1.2 Research Problem**

Global studies done on benchmarking by supermarkets done in both small and large organizations indicate that the execution of certain practices found in industry excellence models has had acceptable outcomes in operational and economic terms (Oakland, 1999). Cassell, Chennell and Dransfield (2000) stress that benchmarking practices designed and developed for companies must be designed explicitly to the environmental limitations of these organizations for the accomplishment of the practices acknowledged by such activities to be successful and bring out improved performance. Diverse strategic goals, greater environmental uncertainty and inadequate resources are some of the characteristics that would necessitate the development of benchmarking practices that are particular to Supermarkets if these practices are to be taken on successfully.

Competition in the retail business has recently been very stiff with supermarkets ensuring their survival by being more innovation orientated in their operations and proactive in their implementation and execution of their business plan (Orori, 2011). Uchumi Supermarket for instance was face with competition that led to closure of most of its branches and retrenchment of many staff. This competition experienced from other superstores like Tuskys, Nakumatt, Ukwala, and Naivas among others led to the retail superstore being put under receivership management. The Uchumi superstores were a leading retail chain, consequently as a result of mismanagement of resources and lowly motivated staff led to poor performance of the business. It's very interesting to note that all of the above superstores



operate in the same business environment but the magnitude of business success vary widely depending on the predisposed factors to each business. Cut throat competition has seen some leading retail chain superstores perform poorly in terms of profitability culminating into poor customer service, reached value store, low customer good will, eventual closure of business or reduction in number of branches (Njenga, 2006).

Previous studies done on benchmarking include Lee (2005) who did a study on benchmarking management practices and performance of manufacturing companies in Penang, Knights and McCabe (2006) who did a study on the function of benchmarking in diverse quality management programs throughout British banking sector and Whymark (2008) investigated variations in opinions to the taking up of best practice benchmarking among manufacturing and financial services through a credit risk management consortium.

Locally many studies have been done on benchmarking. For instance, Mwangi (2014) carried out a study on the effect of benchmarking practices on financial performance of small and medium enterprises in Kenya and found that the SMES mostly adopt functional benchmarking. On the other hand, Mutuku (2010) studied the correlation involving benchmarking and financial performance of SACCO'S in Nairobi and established out that there was a strong positive correlation among the two variables while Magutu, Mbeche, Nyamwange and Nyaoga (2011) carried out a survey of benchmarking practices in higher education in Kenya, the Case of Public Universities and deduced that the universities mostly used process and strategic benchmarking. Finally, Okombo (2013) carried out a study on benchmarking practices in the hotel Industry in Nairobi and revealed that they benchmarked their strategies and functions mainly. While these studies were carried out on benchmarking practices, none of them narrowed down to the performance of supermarkets in Nairobi County. It is for these reasons that this study sought after filling in the gap by seeking an

answer to the question; what is the correlation linking benchmarking practices and the performance of supermarkets in Nairobi County?

### **1.3 Objectives of the study**

The objective of this study was to determine the correlation involving benchmarking practices and the performance of supermarkets in Nairobi County.

### **1.4 Value of the Study**

To the Supermarkets, this study is going to recognize the challenges that are faced in implementation of business process improvement approaches by the supermarkets in Kenya.

New investors will make use of the study to verify critical aspects relating to the supermarket business. The information to be gathered from the study will be of essence to the investors as a guiding principle to understand the dynamics and operations related to the supermarkets business.

Researchers and academicians will use the data to expose further on the study topic. The study data and information obtained will be to explore further the topic for more understanding. This will be used for referencing on the topic and guide interested persons on the same for details and deliberations.

To the government and policy makers, in the development of Government policy papers, the role of the supermarket sector greatly needs the effective participation of competition watchdog. The policy maker is able to know how well to incorporate the sector and how effectively to ensure its full participation. The study will provide information for government and policy makers that will be relevant for ensuring that the retail market industry is well regulated.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter summarized the literature from other scholars who undertook their research in a similar area of study. This study evaluated the effects of benchmarking on performance of supermarkets in Nairobi County. The concept of benchmarking is summarized alongside the concept of performance. The chapter specifically outlines the theoretical framework, empirical review and summary of the literature review as well as the research gap.

### **2.2 Theoretical Framework**

The theoretical foundation of this study was anchored on contingency theory, resource dependence theory and information theory.

#### **2.2.1 Contingency Theory**

This theory asserts that there is no optimal method for an industry and the institutional structure of the business to be systematized (Fiedler, 1964). Further, it argues that in any organization, the most fitting structure is the one that best fits a known operating contingency, for instance the environment. Each business is faced with its own set of inner and outer challenge as well as particular environmental events that affect in distinguishing stages of environmental uncertainties therefore there is no one optimal institutional plan for every firm since each organization has diverse organizational culture and viewpoint towards risk (Delmas & Montiel, 2009).

Benchmarking is recognized as an important means for continuous enhancement of excellence. A huge number of research works by a range of writers mirror the attention in this system. An analysis of literature on benchmarking has been done in the past by a number of scholars. Nonetheless, bearing in mind the contributions in the recent times; an all-inclusive

assessment is attempted here. In the business world, a benchmark is a standard of excellence against which to measure and compare (Saxena, 2011).

### **2.2.2 Resource Dependence Theory**

Resource Dependence Theory (RDT) is based on the notion that the external resources of an organization influence the performance of the firm. The procurement of external resources is a significant principle of management of any company. On the other hand, a theory of the consequences of this significance was not made official until the 1970s, with the publication of *The External Control of Organizations: A Resource Dependence Perspective* (Jackson & Lund, 2000).

Resource Dependence Theory has inference as regards to the most favorable divisional formation of institutions, employment of board members and other staff members, plans to be used in production, external organizational relations, the contract structure, and other features of organizational strategy. Resource Dependence Theory is therefore one of the many theories of institutional researches regarding the conduct and performance of an industry (Camp, 2010).

### **2.2.3 Information Theory**

Those companies that may look for ways to communicate their environmental performance to outside shareholders and stakeholders may be hindered by lack of full understanding of the commodities, practices and resources going through their supply chains. This might be due to suppliers may cling to some information about their environmental performance and the impact the customers will experience. This situation is also known as information asymmetry (Khan, 2011).

The main benefit of green supply chains is obtained from the potential to market and sell green products. This kind of capacity can potentially develop innovative commodities thereby

building a competitive edge for the firms. Despite all these, the businesses may perhaps not be able to gain or gain owing to the information asymmetry coming out of the consumers' failure to distinguish how green the commodities or materials from the supply chain might be (Delmas & Montiel, 2009).

### **2.3 Benchmarking Practices**

Published literature suggests different types of benchmarking with suitability depending on operational and strategic objectives. Most authors and researchers including Elmuti and Kathawala (2012) and Wöber (2001) categorize benchmarking into four types as internal, competitive, functional, and process benchmarking. Each type is as described here below.

#### **2.3.1 Process Benchmarking**

The focus of process benchmarking is on the best work practices by emphasizing on the similarity of procedures and functions rather than the business practices of the company that one is benchmarking with. This type of benchmarking can be applied to organizations from different sectors of the economy. In another conceptual research paper with consistent findings, Bhutta and Huq (1999) describe two additional types of benchmarking: generic and strategic benchmarking.

Elmuti and Kathawala (2012) caution that, each organization should be able to assess its personal perception of benchmarking and then plan on how they would wish to apply the process. The firm should establish whether their main focus is monetary or whether it's on meeting customer needs, since this is the only efficient way to initiate the benchmarking process.

#### **2.3.2 Functional Benchmarking**

Functional benchmarking is externally executed aligned with industry leaders or the most excellent functional operations of certain organizations. Its center of attention is on defined

functions such as accounting or marketing, which are general to most organizations. The benchmarking partners usually share some general technological and market uniqueness, but are not direct competitors, so they are more eager to contribute and share information (Elmuti and Kathawala, 2012).

The primary objective for a business is maximizing sales, consequently, finding the perfect functions that will smooth the progress of both footfall and growth, is of key significance (Saxena, 2011). Presently clients shopping tendency is towards integration of diverse destinations and intentions in their shopping trips (Khan, 2011).

### **2.3.3 Internal Benchmarking**

According to Elmuti and Kathawala (2012), internal benchmarking is the simplest form that benchmarks against operations within the organization because the majority of companies have comparable tasks inside their business divisions. It entails comparing the organization's in-house activities and processes of one unit or branch against other units or branches. The main objective is to determine the internal performance standards of the organization. Other researchers have found that once the objective of establishing operating standards within the organization has been attained, internal benchmarking assists the organization in identifying and analysing their Strengths, Weaknesses, Opportunities, and Threats (SWOT); and hence improve on the economic efficiency of the firm (Wöber, 2001).

While adopting internal benchmarking, the management should consider the fact that customers' store choice decisions are greatly influenced by service quality (Saxena, 2011). Secondly, through location strategy businesses are able to develop a competitive edge over their rivals (Levy et al, 2007). The location preference of any retail store plays a vital function in the performance of its business.

### **2.3.4 Competitive Benchmarking**

Competitive benchmarking involves the comparison of the company's commodities, services or processes with those of direct competitors in the same market such as comparing McDonald's versus Burger King or Kenya Breweries Ltd versus Keroche Breweries Ltd (Camp, 2010).

According to Elmuti and Kathawala (2012), this category of benchmarking is quite complicated to undertake, for the reason that access to information about competitors' processes is not easy. This variety of benchmarking presents an opportunity to know yourself and your competition well; join forces against another common rival (Camp, 2010).

### **2.3.5 Strategic Benchmarking**

Strategic benchmarking is undertaken when a company is attempting to change its strategic direction and wishes to compare its performance against the competition in terms of strategy. This type of benchmarking mainly entails watching how others compete in the industry (Khan, 2011).

The market factors are those which relate to the prospective of a site for drawing clients and raising sales, whereas the operative factors involve the effort in opening and operating the store. When a retail store is strategically located, it permits easy access, retains a number of clients, and increases possible sales. Thus ease of access has an effect on catchment population of a shopping mall (Kocaili, 2010). In today's world where we have a highly aggressive environment, choosing the right site for an outlet will rank amongst the top factors in determining that firms' success or failure.

## **2.4 Organizational Performance**

The performance of an organization is appraised by how it trims down cost or raises value. Firms' performance observation is significant; in many industries, the supply chain signify

roughly 75 percent of the operating budget expense. Three widespread methods of performance are used when assessing performance: efficiency, responsiveness and effectiveness (Skandalakis & Nelder, 2001).

Efficiency implies minimization of whole system wide costs from shipping and allocation to stock of raw materials, work in process and finished commodities. For the firms to be efficient they should make the most of strategies intended at generating maximum cost efficiency and for such efficiencies to be realized, non-value adding activities should be discarded, economies of scale followed and optimization methods set up so as to get the greatest utilization capacity. To be responsive means ensuring that customers' needs/demands are attended to at the precise time without delays. In order to achieve responsiveness, the firms should be flexible to the shifting and varied needs of the clients and also constructed to order and mass customization processes as a means to meet the particular needs of the clients. Effectiveness on the other hand means doing the right thing at the right time. Firms should ensure that they do enough research to know what their customers need and should also get the right resources so as to serve their customers satisfactorily (Dishon, 2014).

Organizational performance can therefore be best measured through operational cost reduction and customer service delivery levels. As more manufacturers fight with global markets, rivalry from low cost counties and uncertain home economies, the concentration of several manufacturers and retailers have naturally turned to cost and waste reduction. It is therefore very important to understand the best cost reduction strategies, and identify the main cost drivers in a firm's operations. Ndongeri (2010) explain that quantifying client contentment has turned out to be an increasingly significant factor for successful business operation nowadays. Most businesses in different countries have moved from a primarily manufacturing economy to a service oriented economy.



## **2.5 Benchmarking Practices and Organizational Performance**

Increased productivity should lead to improved products or services that meet or exceed customers' requirements to enable the organization remain competitive in business. In fact, the end-result of any typical work process, whether distributing a physical product or a service, should be something of worth that meets the requirements of the next client in the process or those of the end-user.

The foregoing benefits of benchmarking should enable the organization that applies benchmarking to rise to a position of competitive advantage. The organization must understand the competition through competitive benchmarking of products, services or work processes; and develop effective plans to deliver those products and services competitively (Camp, 2010). That means the company must consistently deliver products or services of superior quality at a lower cost than its nearest rival to maintain its competitive advantage.

An increasing rate in studies done on benchmarking has been realized, although a larger percentage of those studies relate to the effects of best practices on performance point out that those relations do exist; nevertheless, there is very slight suggestion of the strengths of those relations (Briesch, Ciarreta & Zarraga, 2009). With any suggestion lacking of the strength of a relationship, it is much harder to prioritize practices for execution and implementation. This kind of categorization would be able to permit benchmarking to be implemented in a series that would facilitate the attainment of highest benefits.

## **2.6 Empirical Studies**

Okombo (2013) did a study on Benchmarking Practices in the Hotel Industry in Nairobi, Kenya. This particular research sought after establishing the degree of application of benchmarking in hotels situated in Nairobi, Kenya; and to determine process metrics used in the hotel industry in Kenya. The study was conducted through a cross-sectional statistical

survey. The data was analyzed to generate descriptive statistics presented in pie charts, frequency tables, means and correlation matrices. The study found that the majority of the hotels surveyed were aware of, and applied benchmarking in their operations.

Dishon (2014) did a research to explore the effect of benchmarking practices on financial performance of small and medium enterprises in Kenya. The research sought after establishing the effect of benchmarking practices on the financial performance of SME's in Kenya, as well as to find out the new business practices adopted by the SME's as a result of benchmarking practices to improve their financial performance. The study found out that there exist a relationship and most of the SME's that carry out benchmarking practices and adopt the practices had a positive change in their financial performance. The SME's should have their own policy which facilitates a body which allows access to finances to SME's only to facilitate training on better business practices to improve financial performance.

Lee (2005) did a study on benchmarking practices and performance of manufacturing companies in Penang. The aim of the study was to identify best practices that could be taken on and implemented by the firm with the main objective being to improve the organization's performance. The outcome of this study established that human resource management and development is largely more significantly linked to both direct and indirect manufacturing performance criterion considered.

Sue (2011) did a study on Benchmarking small business performance: barriers and benefits. The study aimed at reviewing previous benchmarking research work broadly, establishing the backdrop to its development, and benefits and difficulties relating purposely to implementation by small businesses. The findings reveals that earlier studies indicated that performance measurement is hardly used by small businesses, as there are numerous hurdles that put off small businesses from commissioning benchmarking. This research paper brought

to light the fact that benchmarking is an enormous and intricate task, requiring commitment to ongoing effort and proposes that small businesses may need early support in order to effectively implement benchmarking on a continuous basis.

Knights and McCabe (2006) have detailed research on the function of benchmarking in diverse quality management programs all over the banking system in Britain. The outcomes indicated that British banks have steadily implemented quality initiatives and gained noteworthy accomplishment in quality management through benchmarking.

Whymark (2008) investigated the variation in attitudes towards the taking up of best practice benchmarking among manufacturing and financial services through a credit risk management consortium. The results found out that benchmarking significantly allowed institutions to confront their individual procedures, operational processes and policies based on information and objective analysis.

A study undertaken by Akuma (2007) on the application of benchmarking as a continuous enhancement tool by the ministry of agriculture in Kenya established that majority of the parastatals in the ministry had systems in place that facilitated the systematic evaluation and appraisal of process, performance and practice with any top practices or smarter institutions for enhancement as well as self-regulation. He argues that continuous improvement when taken up is a way of improving performance which therefore presupposes more and smaller incremental improvement steps.

Mutuku (2010) did a research about the link involving benchmarking and financial performance of SACCOs in Nairobi and established that benchmarking was being employed at the SACCOs as an incremental continuous improvement tool that had greatly improved the general company performance by serving to transform internal models and 'see out of the box'.

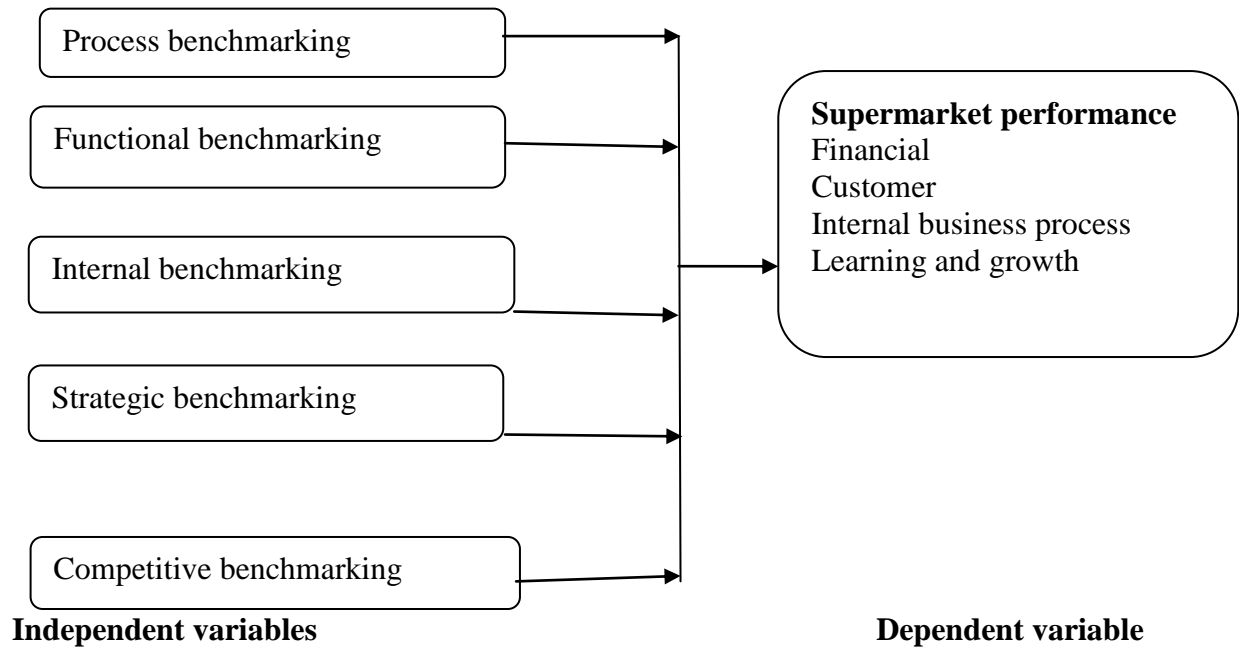
A study undertaken by Wanyama (2012) on the effect of benchmarking on performance an evidence from freight forwarding firms in Kenya, established that the reasons that enhanced benchmarking achievement in freight and forwarding companies included; employee involvement, management dedication, benchmarking limitation, internal appraisal and functioning quality department.

An investigation of benchmarking practices in higher education in Kenya with reference to public universities by Magutu et al (2011) found out that involving themselves in benchmarking would give Kenyan public universities a better perceptive of practice, process, or performance and insights of the academic operations and functions.

## **2.7 Summary of the Literature**

This study was anchored on contingency theory, resource dependence theory and information theory. The attention of process benchmarking is centered on the best work processes by stressing on the likeness of procedures and functions to a certain extent than the business practices of that company that is being benchmarking with. Functional benchmarking is externally performed against industry leaders or the best functional operations of certain companies. Internal benchmarking entails comparing the organization's internal activities and processes of one unit or branch against other units or branches. Competitive benchmarking involves the comparison of the company's products, services or processes with those of direct competitors in the same market while strategic benchmarking is undertaken when a company is attempting to change its strategic direction and wishes to compare its performance against the competition in terms of strategy.

## 2.8 Conceptual Framework



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides the research design, the population and the sample size, the data collection methods and data analysis as well as how data was presented. The choices herein were chosen to facilitate a complete synthesis and conclusion of the study in line with the research objectives.

### **3.2 Research Design**

The study adopted a descriptive research design which aimed at exploring the correlation linking benchmarking practices and performance of supermarkets in Nairobi County. A descriptive design is concerned with investigating the frequency with which something takes place or the correlation among variables (Bryman & Bell, 2011).

Bryman and Bell (2011) assert that a descriptive design tries to find information that depicts existing phenomena by asking questions relating to individual perceptions and attitudes. According to Dawson and Montiel (2009), in a descriptive study, researchers observe, count, delineate, and classify.

### **3.3 Target Population**

According to the recommendations of Churchill and Iacobucci (2010) in defining the unit of analysis for the research study, the population targeted in this study was all the 32 supermarkets in Nairobi County (NCC records, 2016).

### **3.4 Data Collection**

Primary data was acquired by use of self-administered questionnaires. The questionnaire was made up of both open ended and closed ended questions covering issues associated to benchmarking practices.

According to Somekhand and Lewin (2011), the open ended or unstructured questions allow profound response from the respondents while the closed or structured questions are generally easier to evaluate. The questionnaires used in this study were advantageous since time was of essence and the cost which was to be incurred in the research work. In addition they facilitated an easier investigation as they were in an immediate functional form. The questionnaires were administered using a drop and pick later method to the operations manager or their equivalents in each of the supermarkets.

### **3.5 Data Analysis and Presentation**

All the questionnaires were collected and inspected for comprehensiveness and consistency. Acceptability of the questions in the questionnaire was fully examined and coded assigning each question numbers. Once data screening was complete, descriptive statistics for all variables was run. Initial descriptive analysis was performed using SPSS 22 including frequencies, percentages, mean score and standard deviation. Qualitative data was examined using content analysis, where the data was coded into theoretically derived groups for the classification of the significant features of benchmarking and supermarket performance.

For the parametric data, Pearson's Product Moment Correlation Coefficient ( $r$ ) was used to establish the relationship among variables. Mugenda and Mugenda (2003) observe that relationships and predictions among variables are best determined using correlation analysis technique. The data was presented by use of frequency tables and graphs.

## **CHAPTER FOUR: DATA ANALYSIS AND RESULTS**

### **4.1 Introduction**

This chapter presents analysis of the data benchmarking practices and performance of supermarkets in Nairobi County. The chapter also provides the major findings and results of the study. Finally, the chapter presents a discussion on the findings.

### **4.2 Response Rate**

The study targeted operation managers in 32 supermarkets in Nairobi County 29 of 32 operation managers of 32 supermarkets filled in and resend the questionnaires making a response rate of 90.6%. This percentage response rate was excellent and representative and matches with Mugenda and Mugenda (1999) who stipulate that a percentage of 50% in the response rate is sufficient for analysis and reporting.

#### **4.2.1 General Demographic Information**

The outcomes of the findings illustrate that majority of respondents 15 (51.7%) had University 1<sup>st</sup> degree while 3(10.3%) had college certificate. The finding implies that respondents were educative enough to interpret the topic of the study.

The findings showed that 43.3% of the respondents were aged above 45 years, but only 13.8% were aged between 25 and 35 years. The finding implies that most operation managers of the supermarket are aged above 45 years.

According to the findings majority of the supermarkets have been in operation for a period between 16-20 years representing 41.4% while only 10.3% of the supermarkets have been in operation for less than 10 years. Since most of the supermarkets have been in operation for more than 10 years implies were conversant with benchmarking practices and performance of the supermarket.



The findings showed that 44.8% of the supermarkets have between 11 and 15 branches, while 6.9% have below 5 branches. According to the findings most supermarkets had above five branches showing that supermarket are highly spread.

Majority of the supermarkets had between 101 and 150 employees and only 17.2% of the supermarkets have below 100 employees. The study deduce that majority of the supermarkets have employees between 101 and 150.

### 4.3 Benchmarking Practices

The study sought to determine how various benchmarking practices had influenced performance of the supermarkets. The study questions were in a likert scale of between 1 and 5. Where 1 = No extent; 2 =Low extent; 3 = Moderate extent; 4 = Great extent; and 5 = Very great extent. The scores were also calculated to mean scores which were interpreted as 4.5 - 5.0 Very great extent; 3.4 - 4.4 Great extent; 2.5 - 3.4 Moderate extent; 1.5 - 2.4 Low extent; and 0.0 - 1.4 No extent.

#### 4.3.1 Process benchmarking

The researcher sought after establishing the degree of use of the following process benchmarking practices.

**Table 4. 1: Process benchmarking practices**

	<b>Mean</b>	<b>Std. Deviation</b>
Our company focuses on improving operations relative to best performers in the industry	4.1724	.65841
Our company focuses on improving specific critical processes relative to best performers	3.9310	.99753
Our company focuses on achieving improvements in key processes to obtain quick benefits	3.5862	1.42722
Our company produces process maps to facilitate	3.0690	.52989

comparison and analysis

**Source: Researcher (2016)**

The respondents indicated that their companies focus on improving specific critical processes relative to best performers with a mean of 4.1724. Respondents also indicated with a mean of 3.931 that their companies focus on attaining enhancement in key processes to acquire immediate benefits to a great extent. They further indicated with a mean of 3.5862 that their companies focus on improving operations relative to best performers in the industry to a great extent. Finally the respondents pointed out with a mean of 3.069 that their companies' produces process maps to ease evaluation and analysis to a moderate extent. The study deduce that companies focus on realizing enhancements in key processes to gain fast results and also focuses on improving particular vital processes relative to best performers. But have not really considered producing process maps to aid in comparison and investigation as well as focusing on improving operations relative to best performers in the industry. The findings agree with study of Elmuti and Kathawala (2012) which caution that every business ought to weigh up carefully its own perspective of benchmarking and how they aspire to apply the process. The business should establish whether their focal point is on monetary results or on meeting client needs, since this is the only successful way to initiate the benchmarking process.

#### **4.3.2 Functional Benchmarking**

The researcher also sought to know extent the organization apply the following functional benchmarking practices. The results are shown in table 4.4.

**Table 4. 2: Functional benchmarking practices**

	<b>Mean</b>	<b>Std. Dev</b>
Comparing the business functions with others leads to incremental innovation	4.3448	.93640

Our company compares with partners drawn from different business sectors to find ways of improving similar functions or work processes.	3.7586	.91242
Comparing the business functions with others often leads to dramatic improvements	3.2069	.49130

**Source: Researcher (2016)**

The respondents noted that comparing the business functions with others leads to incremental innovation to a great extent with a mean of 4.3448. Respondents also indicated with a mean of 3.7586 that their companies compares with partners drawn from diverse business zones to find ways of enhancing alike roles or work processes to a great extent. They also indicated with a mean of 3.2069 that comparing the business functions with others often leads to dramatic improvements. The studies deduce that comparing the business functions with others leads to incremental innovation. The study also noted that companies compares with partners drawn from diverse business zones to find ways of enhancing alike roles or work processes and finally there was doubt whether comparing the business functions with others often leads to dramatic improvements. This finding concurs with the finding of Saxena (2011) which indicated that maximizing sales is a primary objective for retailers, hence, finding the perfect functions that will ease both footfall and development, is of key significance.

**4.3.3 Internal Benchmarking**

The researcher also sought after establishing the level of use of various internal benchmarking practices in the supermarkets.

**Table 4. 3: Internal benchmarking practices**

	<b>Mean</b>	<b>Std. Deviation</b>
Less time and resources are needed for internal operations comparisons	4.1379	1.43238

Our company compares its operations from within the organization (e.g. business units in different countries).	3.5862	1.42722
Internal operations comparison enables management to spread expertise quickly throughout the organization	3.5172	.91107
Internal comparisons enables our company access to sensitive data and information easily	3.2414	1.21465
Internal operations comparison exemplify good practice	2.6207	.90292

**Source: Researcher (2016)**

The results in the table 4.5 shows that less time and resources are needed for internal operations comparisons to a great extent with a mean of 4.1379. Respondents indicated with a mean of 4.862 that their companies compare its operations from within the organization (e.g. business entities in diverse countries) to a great extent. Respondents indicated with a mean of 2.6207 that internal operations comparison exemplify good practice to a moderate extent. From the findings it's clear that less time and resources are required for internal benchmarking. The study also deduces less time and resources are needed for internal operations comparisons. The results are supported by Wöber (2001) who indicated that once the objective of establishing operating standards within the organization has been attained, internal benchmarking assists company managers in categorizing their Strengths, Weaknesses, Opportunities, and Threats (SWOT); and therefore improve economic efficiency of the company

#### **4.3.4 Competitive Benchmarking**

The researcher further sought after establishing the level of use of competitive benchmarking.

**Table 4. 4: Competitive benchmarking practices**

	<b>Mean</b>	<b>Std. Deviation</b>
The company compares with partners drawn from the same sector.	4.0690	1.46217
Our company does competitive analysis undertaken	3.1034	1.29131

through trade associations or third parties to protect confidentiality

Our company assesses relative level of performance in key areas or activities in comparison with others in the same sector and find ways of closing gaps in performance	2.8966	1.04693
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Our company considers its position in relation to performance characteristics of key products and services.	2.6207	.90292
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**Source: Researcher (2016)**

The results in the table 4.6 show that respondents indicated with a mean of 4.0690 that their companies compares with partners drawn from the same sector. Respondents indicated with a mean of 3.1034 that to a moderate extent their companies do competitive. It was also noted with respondents with a mean of 2.6207 that their companies considers their level relative to performance features of key products and services to a moderate extent. From the findings it is clear that company benchmark with partners drawn from the same sector. The results the study supports the study of Camp (2010) who noted that competitive benchmarking provides a chance to know yourself and your rivals better; join forces against another common rival.

**4.3.5 Strategic Benchmarking**

This research study sought after establishing the level of use of strategic benchmarking in the supermarkets.

**Table 4. 5: Strategic benchmarking practices**

	<b>Mean</b>	<b>Std. Deviation</b>
To improve overall performance, our company focuses on general approaches that have enabled high-performance to succeed	3.9310	1.03272
Our company has improved capabilities for dealing with changes in the external environment through strategic comparison	3.4828	.91107
To improve overall performance, our company examines	3.3793	1.14685

the long-term strategies that have enabled high-performance to succeed

Our company develops new products and services relative to best performers 3.2414 1.52726

Our company focuses on its core competencies relative to best performers 2.7241 .75103

**Source: Researcher (2016)**

Respondents agree that to improve overall performance, their companies’ focuses on common approaches that have facilitated high-performance to be successful with a mean of 4.931. Respondents also indicated with a mean of 3.4828 that to a moderate extent their companies have enhanced competence for dealing with alteration in the external environment through strategic comparison. The respondents also indicated with a mean of 2.7241 that their companies focus on their core competencies relative to best performers. As per the findings the study established that companies focuses on common approaches that have facilitated high-performance to be successful. Kocaili (2010) supports the study by indicating that a strategic site permits effortless access, attracts a big number of clients, and raise prospective sales of an outlet.

**4.3.6 Relationship between Benchmarking and Performance**

Respondents were also requested to indicate how the benchmarking practices have led to the performance of their institutions. The results of the findings are shown in the table 4.8.

**Table 4. 6: Relationship between Benchmarking and Performance**

	Mean	Std. Deviation
Provides an insight into prevailing business performance	4.0690	1.22273
Team building	4.0000	.00000
Supports the quest for a competitive position	3.7586	.78627
Determines authentic measures of productivity	3.7241	1.30648
Organizational development	3.6207	.82001

Creates awareness of industry and practices	3.5517	1.12078
Helps in the implementation of change	3.2069	1.17654
Helps to change internal paradigms and “see out of the box”	3.1379	1.30176
High payoff in terms of quality and customer satisfaction	3.0345	1.37536
Establishes pragmatic goals abased on a concerted view of external conditions	2.8966	.72431

**Source: Researcher (2016)**

Findings from table 4.8 showed with a mean of 4.069 that benchmarking practices provides an insight into the performance of a business to a great extent. The respondents also pointed out with a mean of 4.000 that benchmarking has improved team building in their supermarkets to a great extent. The results from the findings also indicated that benchmarking practices establishes realistic targets which are based on a combined view of external conditions to a moderate extent. The study deduces that benchmarking practices present an insight into existing industry performance which concurs with the findings of Wöber (2001).

**4.3.7 Trends of Performance**

The respondents were also requested to point out the performance of their organization for the last five years.

**Table 4. 7: Trends of Supermarket Performance**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Mean</b>	<b>Std. Deviation</b>
Sales revenue(B)	1488.20	1707.80	1935.70	2292.20	2593.00	2003.38	443.96
Profitability(Billions)	118.25	121.80	125.80	141.10	147.80	130.95	12.830
Market share (%)	37.50	38.60	40.50	42.87	47.98	41.49	4.1613

**Source: Researcher (2016)**

Based on the research findings in table 4.9, profit had an average mean of 130.95b in the last five years; sales revenue had also an average mean of 443.96 for the last five years. Respondents noted that market share had grown with an average of 41.49% in the last five years.

#### **4.4 Pearson’s Product Moment Correlation**

To measure the strength of the correlation among the variables, the study used Karl Pearson’s coefficient of correlation. The Pearson correlation coefficient,  $r$ , can acquire a variety of values from +1 to -1. A value of 0 implies that there is no relationship between the two variables. A value greater than 0 implies a positive connection, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 imply a negative relationship among the variables. The findings are presented as follows.



**Table 4.8: CORRELATION MATRIX**

		Performance	Process benchmarking	Functional benchmarking	Internal benchmarking	Competitive benchmarking	Strategic benchmarking
Performance	Pearson Correlation Sig. (2-tailed)	1					
Process benchmarking	Pearson Correlation Sig. (2-tailed)	.612 .0049	1				
Functional benchmarking	Pearson Correlation Sig. (2-tailed)	.678 .0026	.088 .649	1			
Internal benchmarking	Pearson Correlation Sig. (2-tailed)	.769 .0010	.160 .407	.179 .354	1		
Competitive benchmarking	Pearson Correlation Sig. (2-tailed)	.709 .0027	.210 .274	.414 .025	.207 .281	1	
Strategic benchmarking	Pearson Correlation Sig. (2-tailed)	.548 .002	.333 .077	-.193 .315	-.268 .160	.307 .105	1

**Source: Researcher (2016)**

Where: R = Pearson Correlation

P=Sig.(2-tailed)

Results in table 4.10 above reveal that the correlation between process benchmarking is positively related to performance of the supermarkets ( $R=0.612$ ,  $p$  value =  $0.004$ ). This implies that an increase in process benchmarking is associated with an increase in performance of supermarkets in Nairobi County. Findings also revealed functional benchmarking is positively related to performance supermarkets in Nairobi County ( $R=0.678$ ,  $p$  value =  $0.003$ ). This means that an increase in functional benchmarking is associated with an increase in performance of supermarket in Nairobi County and a decrease in functional benchmarking is associated with a decline performance of supermarket in Nairobi County. Further, the study revealed that internal benchmarking is positively correlated to supermarket performance ( $R=0.769$ ,  $p$  value =  $0.001$ ). This implies that an increase in internal benchmarking is associated with an increase in performance of supermarket in Nairobi County and a decrease in internal benchmarking is associated with a decline in performance of supermarket in Nairobi County. Findings also established that competitive benchmarking positively related to performance of supermarket ( $R=0.709$ ,  $p$  value =  $0.003$ ). This means that an increase in competitive benchmarking is associated with an increase in performance of supermarket in Nairobi County and a decrease in competitive benchmarking is associated with a decline in performance of supermarket in Nairobi County. The study finally found that strategic benchmarking is positively correlated to performance ( $R=0.548$ ,  $p$  value <  $0.002$ ). This implies that an increase in strategic benchmarking is associated with an increase in performance of supermarket in Nairobi County and a decrease in strategic benchmarking is associated with a decline in performance of supermarket in Nairobi County.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary, conclusion drawn from the findings highlighted and recommendation made as per the objective of the study which was to determine the relationship between benchmarking practices and the performance of supermarkets in Nairobi County in Kenya.

#### **5.2 Summary of the Research Findings**

The study objectives were to determine the correlation linking benchmarking practices and the performance of supermarkets in Nairobi County in Kenya. The respondent rate of the study was 90.6% representing 29 respondents who filled and returned the questionnaires. Most respondents were aged above 45 years. The research also revealed that most of respondents had an education level of bachelor's degree.

The study established that benchmarking practices has been applied in the supermarkets in Nairobi County. The study revealed that in relation to process benchmarking companies have focused on attaining enhancement in key processes to acquire quick benefits and also improving on specific critical processes relative to best performers but have not really considered creating process maps to make possible evaluation and analysis as well as focusing on improving operations relative to best performers in the industry. The results agree with study of Elmuti and Kathawala (2012) which caution that each business ought to weigh up cautiously its own point of view of benchmarking and how they desire to apply the process. The business ought to establish whether their focus is on monetary results or on meeting client needs, given that this is the only successful way to initiate the benchmarking process.

The research also summarizes that in order to improve on functional benchmarking supermarkets compare the business functions with others which have led to incremental innovation. The study also noted that companies compares with allies drawn from diverse business segments to uncover ways of improving related functions or work processes. There was doubt by the study whether comparing the business functions with others often leads to dramatic improvements. This findings concurs with the finding of Saxena (2011) which pointed out that optimising sales is a main goal for retailers, consequently, finding the just the thing functions that will ease both footfall and development, is of key significance.

The research noted that less time and resources are needed for internal benchmarking. The results are supported by Wöber (2001) who indicated that once the objective of establishing operating standards within the organization has been attained, internal benchmarking assists business managers in recognizing their Strengths, Weaknesses, Opportunities, and Threats (SWOT); and therefore improve economic efficiency of the business.

The findings were clear that companies benchmark with partners drawn from the same sector. Furthermore, a company focuses on common approaches that have facilitated high-performance to be successful. The results the study supports the study of Camp (2010) who noted that competitive benchmarking offers a chance to be acquainted with yourself and your rivals well; join forces against another common rival

### **5.3 Conclusion**

Based on the research findings, the study concludes that process benchmarking leads to improve the performance of supermarkets in Nairobi County. Supermarkets have focused on realizing improvements in key processes to attain quick benefits and they have also improves specific critical processes relative to best performers but have not really considered

generating process maps to ease evaluation and analysis as well as focusing on improving operations relative to best performers in the industry.

The study also concludes that functional benchmarking enhances the performance of supermarkets in Nairobi County. Supermarkets compare the business functions with others which have lead to incremental innovation. Apart from those companies also compares with allies drawn from diverse business segments to find ways of enhancing alike roles or work processes. Comparing the business functions with others does not often leads to dramatic improvements of the supermarkets.

The study found out that internal benchmarking determines the performance of the supermarkets. The research established that less time and resources are needed for internal benchmarking. Once the objective of establishing operating standards within the organization has been attained, internal benchmarking assists business managers in recognizing their Strengths, Weaknesses, Opportunities, and Threats (SWOT); and as a result it improves economic efficiency of the business.

In addition this study concludes that competitive benchmarking has a positive correlation with the performance of supermarkets in Nairobi County. The study found out that the supermarkets benchmark with partners drawn from the same sector. The companies look at their situation in relative to performance features of key commodities and services; they also do competitive analysis.

The study finally concludes that strategic benchmarking has an effect on supermarket performance. Companies have improved competence for dealing with adjustments in the outside environment through strategic evaluation.

## **5.4 Recommendations**

Basing on the finding and conclusions above the study comes up with the following recommendation;

The study recommends that operation managers of supermarkets ought to focus exceedingly on realizing improvements in key processes to attain quick benefits. The operation managers also have to improve on specific critical processes relative. The study also recommends best performers to be considered in producing process maps to ease evaluation and analysis as well as focusing on improving operations comparative to top performers in the industry.

The study also recommends that operation managers of supermarkets in Nairobi County to compare the business functions with others which have lead to incremental innovation. They should also take into consideration comparing their companies with allies drawn from diverse business segments to find ways of improving related roles or work processes.

The study further recommends that operation managers of the supermarkets in Nairobi should increase the level of internal benchmarking in their industries since internal benchmarking requires less time and resources. The managers are advised to apply SWOT analysis method while doing internal benchmarking since the method help in identifying their strengths, weaknesses, opportunities, and threats of the company and therefore improving economic efficiency of the company.

In order to suppress stiff competition in the industry the study recommends to operation managers to take into account competitive benchmarking, in relation to this the operation managers of the supermarkets should benchmark their products with partners drawn from the same sector. The companies ought to reflect on their situation in relative to performance features of key commodities and services as well as doing competitive analysis. By so doing

the competitive edge of their companies will improve hence leading to better performance of their company.

The study finally recommends that operation managers of the supermarkets have to improve on overall performance of their supermarkets by focusing on common approaches that have facilitated high-performance to be successful. They also have to improve potential for dealing with adjustments in the outside environment through strategic evaluation; this can be attained by looking into strategies set by other supermarkets and then coming up by their unique strategies e.g. developing new products and services relative to best performers. The strategies set ought to be the long-term strategies that have facilitated high-performance to be successful.

### **5.5 Limitations of the Study**

The study encountered unwillingness by respondents to reveal information which may be classified as confidential. This was overcome by carrying an introduction letter showing it is an academic work and assuring the respondents of confidentiality.

The researcher had to formulate appropriate arrangements with managers to avail themselves for the study off-time hours as well as encouraging them on the significance of the study to counter the challenge of availability. The researcher also had to apply utmost patience and care to make certain that adequate data had been obtained from the respondents.

### **5.6 Suggestions for further Studies**

This study advocates for further studies on the same topic of determining relationship between benchmarking practice and organization performance to be carried out on other industry apart from supermarkets. The industry can be communication industry (Safaricom, Airtel, Orange, Equitel)

Other areas for consideration into research studies may include researching on the effects of other factors such as product differentiation, employee perception and employee performance, marketing of the institution on the performance of supermarkets.

Further studies on this topic could be researched over extensive period of time and should include employee perception on benchmarking practice not only to interrogating operation managers. Such a longer period could be helpful given that significant effects of benchmarking on the performance of supermarket.

Same study should also be done on supermarkets that are found in other counties. The study was limited only on supermarkets that found in Nairobi County.



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## **APPENDICES**

### **Appendix I: Letter of Introduction**

Dear Respondent,

My name is Kibubi Kevin Mungai, a Master of Business student at the University of Nairobi conducting research on BENCHMARKING PRACTICES AND PERFORMANCE OF SUPERMARKETS IN NAIROBI COUNTY. In order to undertake the research you have been selected to form part of the study. This letter therefore is to request your assistance giving me information to the question guide. This information will be treated with strict confidence and is purely for academic purposes.

Your assistance and cooperation in this exercise will be highly appreciated.

Yours Faithfully,

Kibubi Kevin Mungai

## **Appendix II: Research Questionnaire**

You are requested to fill out your personal information in the spaces below. Please tick only one response

### **SECTION A: DEMOGRAPHIC INFORMATION**

What is your highest level of education?

- a) Secondary
- b) College Diploma
- c) University 1st degree
- d) Postgraduate degree

What is your age bracket?

- a) Below 25
- b) 25-35
- c) 36-45
- d) Above 40

Years in operation of the supermarket

- a) Below 10 years
- b) 10-15
- c) 16-20
- d) 21 and above

What are the number of branches the supermarket has? if any

a) Below 5     ( )

b) 6-10       ( )

c) 11-15      ( )

d) Above 16   ( )

Number of employees in the supermarket.

a) Below 100       ( )

b) 101-150       ( )

c) 151-200       ( )

d) 201 and above   ( )

## SECTION B: BENCHMARKING PRACTICES

1) To what extent does your organization apply the following benchmarking practices? Use a scale of 1-5 where

5= Very great extent 4=Great extent 3=Moderate extent 2=Little extent 1=No extent at all

	1	2	3	4	5
<b>Process benchmarking</b>					
Our company focuses on improving operations relative to best performers in the industry					
Our company focuses on improving specific critical processes relative to best performers					
Our company produces process maps to facilitate comparison and analysis					
Our company focuses on achieving improvements in key processes to obtain quick benefits					
<b>Functional Benchmarking</b>					
Our company compares with partners drawn from different business sectors to find ways of improving similar functions or work processes.					
Comparing the business functions with others leads to incremental innovation					
Comparing the business functions with others often leads to dramatic improvements					
<b>Internal Benchmarking</b>					
Our company compares its operations from within the organization (e.g. business units in different countries).					
Internal comparisons enables our company access to sensitive data and information easily					
Less time and resources are needed for internal operations comparisons					
Internal operations comparison exemplify good practice					
Internal operations comparison enables management to spread expertise quickly throughout the organization					
<b>Competitive Benchmarking</b>					
Our company considers its position in relation to performance					



characteristics of key products and services.					
The company compares with partners drawn from the same sector.					
Our company does competitive analysis undertaken through trade associations or third parties to protect confidentiality					
Our company assesses relative level of performance in key areas or activities in comparison with others in the same sector and find ways of closing gaps in performance					
<b>Strategic benchmarking</b>					
To improve overall performance, our company examines the long-term strategies that have enabled high-performance to succeed					
To improve overall performance, our company focuses on general approaches that have enabled high-performance to succeed					
Our company focuses on its core competencies relative to best performers					
Our company develops new products and services relative to best performers					
Our company has improved capabilities for dealing with changes in the external environment through strategic comparison					

**SECTION C: RELATIONSHIP BETWEEN BENCHMARKING AND PERFORMANCE**

2) To what extent are the following benefits of benchmarking enhance the overall business performance realized by your organization?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Team building					
Organizational development					
High payoff in terms of quality and customer satisfaction					
Helps in the implementation of change					
Provides an insight into prevailing business performance					
Establishes pragmatic goals abased on a					

concerted view of external conditions					
Determines authentic measures of productivity					
Helps to change internal paradigms and “see out of the box”					
Creates awareness of industry and practices					
Supports the quest for a competitive position					

3) What has been the value of the following performance measures at your organization for the last five years?

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Profit					
Sales revenue					
Market share					

**Thank you**