

**THE RELATIONSHIP BETWEEN BENCHMARKING AND FINANCIAL
PERFORMANCE OF SACCOS IN NAIROBI**

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENT OF MASTERS IN BUSINESS
ADMINISTRATION, UNIVERSITY OF NAIROBI**

NOVEMBER 2010

DECLARATION

This is to declare that this research paper is my original work and has not been presented for an award for any degree to any other University or Institution of Higher Learning.

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DEDICATION

This project is dedicated to my dear husband Cornelius Waswa and children Brian, Joy and Shallom for their support, encouragement and patience during the entire period of my study and continued prayers towards successful completion of this course.

May God bless you abundantly.

ACKNOWLEDGEMENT

First and foremost I thank the Almighty God for his guidance and providence which enabled me to undertake this project that was too involving in terms of time and resources.

I wish to express my sincere appreciation to my family for their understanding and support during the project.

Special thanks to my supervisor Mr. Herick Ondigo for having agreed to supervise this research paper and his tireless guidance and counsel from the initial draft to the completion of this project, without which the research would not have been a reality.

My unreserved gratitude goes to the Teachers' Service Commission for granting me study leave to pursue this course.

Lastly, am very grateful to the management of the Savings and Credit Co-operative Societies for taking time off their busy schedules to complete the questionnaires.

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ABSTRACT

Given that the inherent advantages of SACCOs in terms of flexibility and proximity to their markets are no longer sufficient to ensure their competitiveness in the new global economy, the adoption of new business practices by these organizations must be facilitated, practices whose identification will be made through a benchmarking exercise. Benchmarking activities developed for SACCOs must be specific to the environment and constraints of these organizations if the implementation of the practices identified by such activities is to succeed and result in increased performance. Distinct strategic objectives, greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively. Most of the literature views benchmarking as a vector of performance, as this practice answers the firm's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment. In Nairobi North, benchmarking has been taking place in Saccos although no empirical study has been carried out to establish the extend and its impact.

The main purpose of this study is to investigate the relationship between benchmarking and financial performance of SACCOS. This study adopted a causal research design in order to meet its objective. The population of interest of this study was selected using random sampling method to come up with a sample size of thirty five (35) SACCOS. The study used both primary and secondary data. The primary data was collected through the use of a structured questionnaire which was dropped and picked later at the selected employees` desks. The study adopted the use of descriptive and inferential statistics in the analysis of the data.

From the findings of this study and the summary, the study concludes that benchmarking is used at the SACCOs as an incremental continuous improvement tool. The study further concludes that benchmarking enhance the overall business performance realized by the SACCOs by helping to change internal paradigms and “see out of the box”. The study finally concludes that financial benchmarking had the highest relationship with the Sacco performance. The study therefore recommends that in order to succeed in its benchmarking activities, the SCACCOS should be vigilant in order to adapt to the changes in the external environment.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Continuous improvement is the process of finding ways to continually improve aspects of business such as cost, quality, delivery, and customer service. During the last two decades, benchmarking has proven to be an effective quality improvement tool. Deming (1982) and a number of other quality advocates have strongly recommended the use of benchmarking as an essential component of continuous improvement (Graham, 1993; Ishikawa, 1985; Venetucci, 1992). Benchmarking is a versatile tool because it can be used for both incremental continuous improvements as well as for major changes of process reengineering (Bogan and English, 1994; Welch 1993; Kuebler, 1993; Rich, 1997). In general, benchmarking can be defined as a process for measuring a company's strategy, product, process, and service performance against top performers. (Watson, 1992, 1993; Camp, 1989; Whiting, 1991).

Although the term benchmarking has been around for years, it was not used as an important quality improvement tool until the early 1980s with Xerox's success to overcome severe international competition. Also since 1987 benchmarking has been a critical component of Malcolm Baldrige National Quality Award criteria. As Bogan and English (1994) noted, since 1987, of a total 1,000 Baldrige points, benchmarking has consistently influenced more than 500 points. No other quality concept, such as process management, employee involvement, and quality planning, has had such a broad

influence on Baldrige criteria as benchmarking. Positive attitude toward learning and the use of benchmarking have been common characteristics of Baldrige winners and finalists (Ford and Evans, 2001). More recently, the practice of benchmarking is being widely used for organizations seeking ISO 9000 certification.

While literature on benchmarking has become relatively abundant in the last few years, certain aspects of this practice still require further comprehension (Longbottom, 2000; Yasin, 2002; Dattakumar and Jagadeesh, 2003). Notably, this includes the short- and medium-term effects of benchmarking on the organisation and the return that management can expect from such an activity. This is even truer in the case of SACCOS, as reported by Dattakumar and Jagadeesh (2003) in their synthesis of 382 publications on benchmarking. Further knowledge generated by researchers on these aspects would allow SACCOS, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities.

Benchmarking is an activity adopted by corporations to improve their performance, and is an interesting strategy for organisational learning and adjustment (Carr and Smeltzer, 1999). It allows the firm to compare its operational and managerial practices and performance to those of its competitors (Ahmed et al., 1996; Carr and Smeltzer, 1999), or to those of firms which are considered world-class enterprises or the best in their industry (Camp, 1989; Longbottom, 2000), in order to achieve continuous improvement. Information about practices or performance obtained for other firms is thus useful in developing the benchmarking firm's operational and managerial practices.

While it is considered beneficial, benchmarking is not simple and cost-free. A number of researchers have concluded that an extensive benchmarking exercise, as developed for large enterprises, is not adapted to the reality. In synthesizing the research on the subject, Ribeiro and Cabral (2003) have described this type of exercise as being done in four steps: plan (i.e. decide what will be benchmarked and with whom); collect the relevant information in order to make the comparison; analyse the gap between the firm and its target (another individual firm or a group of firms); and make the changes to reduce this gap if needed.

Given the available resources, such a benchmarking exercise can last many weeks or many months. In a survey study, Longbottom (2000) reported three to six months for planning a benchmarking activity, three to six months for analysis and six to 12 months for its implementation. Apart from the fact that many companies generally have insufficient human and financial resources to allocate to benchmarking, especially if the expected benefits of this activity are not immediate (Badrinath et al., 1998), one obstacle is that owner-managers generally refuse to divulge strategic information, given their firm's vulnerability (Julien, 1998). Being preoccupied with the day-to-day management of the organization, the latter are often not aware of the need for and the potential benefits of benchmarking, and thus consider it to be of little use (Monkhouse, 1995). However, while most owner-managers have not undertaken benchmarking activities for reasons of lack of time or resources (Carr and Smeltzer, 1999; Skandalakis and Nelder, 2001), those that have seem to recognize a posteriori the effectiveness of benchmarking and its usefulness for their organization (Cassell et al., 2001).

1.1.1 Savings and Credit Cooperative Societies

Savings and Credit Cooperative Societies (SACCOs) are synonymous with credit unions. The International SACCO Alliance (2000) defines credit unions as the legally constituted not-for-profit financial institutions, chartered and supervised, for the most part, under national SACCO law and created to meet the basic financial service needs of primarily low and middle income citizens who generally can not obtain these services through the existing banking system. The unions provide a means to learn the value of regular savings and wise use of credit. They are a form of economic empowerment, based upon an individual's ability to control and manage the financial institution that provides savings, credit and financial management (Goto, 2004).

A SACCO is a voluntary' contractual organization of persons having a mutual ownership interest in providing themselves with needed service(s) on a non-profit basis. It is usually organized as a legal entity to accomplish an economic objective through joint participation of its members. In a SACCO the investment and operational risks, benefits gained, or losses incurred are shared equitably by its members in proportion to their use of the SACCO's services. A SACCO is democratically controlled by its members on the basis of their status as member-users and not as investors in the capital structure of the SACCO. SACCO members are individuals, partnerships, corporations, and associations- holding membership in a SACCO organized without capital stock or holding stock. In a SACCO with capital stock these persons are instrumental in starting or keeping the SACCO business going because they realize they can solve their economic problems and attain their goals only by working together. They voluntarily affiliate with the SACCO.

1.2 Statement of the Problem

Given that the inherent advantages of SACCOs in terms of flexibility and proximity to their markets are no longer sufficient to ensure their competitiveness in the new global economy (Skandalakis and Nelder, 2001), the adoption of new business practices by these organizations must be facilitated, practices whose identification will be made through a benchmarking exercise (Cagliano et al., 2001). Noting this, Cassell et al. (2001) emphasize that benchmarking activities developed for SACCOs must be specific to the environment and constraints of these organizations if the implementation of the practices identified by such activities is to succeed and result in increased performance. Distinct strategic objectives, greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively.

Studies done in both small and large organizations show that the implementation of certain practices found in business excellence models has had satisfactory outcomes in operational and financial terms (Oakland, 1999). Locally many studies have been done on benchmarking. Amolo (2002) studied benchmarking the order delivery process for continuous improvement the case of the Kenyan oil industry, Gitonga (2005) conducted a survey of improvements through benchmarking in the Kenyan construction firms, Namu (2006) researched on benchmarking as a performance improvement tool the case of KPLC, Litunya Ambula (2006) evaluated benchmarking & performance in public secondary schools in Nairobi Province, Magutu (2006) conducted a survey of benchmarking practices in higher education in Kenya the case of public universities, Kombo (2007) did a survey of the extent of implementation of benchmarking practices in

the manufacturing sector in Kenya while Victor Tuitoek (2007) studied benchmarking health, safety & environmental performance measurement practices in the oil industry in Kenya. In Nairobi North, benchmarking has been taking place in Saccos although no empirical study has been carried out to establish the extent and its impact. According to the Management Reports (2010), Telepost Sacco Society Limited in its endeavor to diversify its product line, benchmarked from leading players in the sector such as Mwalimu, Ukulima, Harambee and Stima saccos. Very useful information was obtained about key result areas like membership retention, staff productivity, interest rates on loans and system software efficiency. To the best of the researcher's knowledge, no study has been done on the relationship between benchmarking and performance in the context of SACCOs. This study therefore seeks to find out whether benchmarking practices of SACCOs affect their performance.

1.3 Objectives of the Study

The study was guided by the following objectives: -

- i. To investigate the extent of implementation of benchmarking in SACCOs.
- ii. To investigate the relationship between benchmarking and financial performance of SACCOS

1.4 Research Questions

The following research questions were tested:

- i. To what extent have SACCOS adopted benchmarking?
- ii. Does benchmarking affect the financial performance of SACCOS?

1.5 Importance of the study

The study is invaluable to the following:

SACCOS Management

The study is invaluable to the SACCOS management in that it provides an insight into the various effects of benchmarking on their business practices and ultimately on SACCOS performance.

Government and policy makers

In the development of Government policy papers, the role of the financial sector greatly needs the effective participation of SACCOS. The policy maker is able to know how well to incorporate the sector and how effectively to ensure it's full participation. The study is also useful to the Government in policymaking regarding taxation and other regulatory requirements of SACCOS in the country.

Academicians and Researchers

The academicians are furnished with relevant information regarding effects of benchmarking on the business performance and the study contributes to the general body of knowledge and forms a basis for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same study of capital budgeting. The specific areas covered here are benchmarking, benchmarking process, benchmarking tools, application of benchmarking in various areas of businesses, advantages of benchmarking and relationship between benchmarking and performance.

2.2 Theoretical review

Despite their differences, both liberals and Marxists explicitly or implicitly recognize the public sector as a realm in which conflicts of interests take place. For some theorists, this marks an essential difference with the private sector. As Lundvall and Tomlinson (2000, pp. 8-9) point out, “While the idea that firms have complex objectives reflecting a compromise between different interest groups (owners, management, employees, customers, society at large, etc) may be controversial, it is obvious that public activities normally have to take into account conflicting interests and objectives”. In fact, in a capitalist form of public sector, a governmental policy can be defined as a “programme of action” (Moodie, 1984, p. 23) that serves the most powerful of those interests and objectives. Since, policy benchmarking is itself a tool of policy-making, it cannot ignore this fact

Resource Dependence Theory

Resource Dependence Theory (RDT) is the study of how the external resources of an organization affect the behavior of the firm. The procurement of external resources is an important tenet of both the strategic and tactical management of any company. Nevertheless, a theory of the consequences of this importance was not formalized until the 1970s, with the publication of *The External Control of Organizations: A Resource Dependence Perspective* (Pfeffer and Salancik 1978). Resource Dependence Theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy. Resource Dependence Theory is one of many theories of organizational studies regarding the behavior of organizations. In many ways, the predictions of Resource Dependence Theory are similar to those of transaction cost economics, but it also shares some aspects with institutional theory.

Selection Psychology Theory

Past behaviour and performance is considered to be the best predictor of future financial performance according to the theory of selection psychology ([Ling, 2000](#)). Hogan *et al.*'s recent meta-analytic research suggests that performance in many jobs should, in principle, be predictable using good measures of past behaviour and performance, including “being responsive to client's needs”, “being persistent” and “taking initiatives”. Many studies show that past performance is an important selection criterion for

construction consultants (Winch and Schneider, 1993), particularly when projects are of a complex nature.

2.2 Benchmarking

Defining benchmarking and its various forms can be a confusing task as both managers and academics tend to create their own definitions according to their perceptions and applications of the technique and philosophy. Without much doubt the central essence of benchmarking is about learning how to improve business activity, processes and management. However, benchmarking as a term has been used widely to refer to many different activities. Reference to the wide variation in commonly used definitions serves to highlight the diversity: “A continuous systematic process for evaluating the products, services and work of organisations that are recognised as representing best practices for the purpose of organisational improvement” (Spendolini, 1992); “A continuous search for, and application of, significantly better practices that lead to superior competitive performance” (Watson, 1993); “A disciplined process that begins with a thorough search to identify best-practice-organisations, 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); “Benchmarking is an external focus on internal activities, functions, or operations in order to achieve continuous improvement” (McNair and Leibfried, 1992) and “Benchmarking is systematic and continuous measurement process: a process of continuously measuring and comparing an organisations business processes against process leaders anywhere in the world to gain information which will

help the organisation to take action to improve its performance” (APQC/IBC cited in Watson, 1993, p. 3).

Allan (1993) defines benchmarking as a technique that helps in measuring and comparing the performance of an existing process, product or service, against that of the recognised best in class, both outside and inside the company. Allan goes further by stating that benchmarking can be seen as one of the quality activities that can be applied to process improvement. Similarly, Shetty (1993) explained that benchmarking is a continuous process of measuring products, services and practices against the best competitors, or those recognised as industry leaders. O’Dell, states in *The Benchmarking Workbook: Adopting Best Practices for Performance Improvement* (Watson, 1992), that benchmarking is a sequential process of learning the recipe for organisational success. In summary, benchmarking is a process that facilitates learning and understanding of the organisation and its processes. It enables organisations to identify the key processes that need improvement, and to search for applicable solutions from the best in class.

Benchmarking competitors has become a commonly-used and accepted strategy of US firms today. Benchmarking has been used to obtain information for assessing and improving such functions as new products, customer billing, shipping, quality, manufacturing costs and training. (Camp, 1989). Day (1990) believes that one’s competitive position can be best assessed in side-to-side comparisons with one’s best target competitors. This theme is further developed by Woodside and Wilson (1994), who conclude that benchmarking competition may be “one of the best research tools for gaining and maintaining a distinctive competency and to help from being blind-sided by

competitors”. Lambert (1992) believes that the most meaningful competitive benchmarking occurs when customers evaluate competitor’s supplier performance, as well as assign importance ratings to supplier attributes. The concept of bench marking competition in the supplier-buyer interaction and employing importance factors is a further ingredient used in developing the performance assessment model.

Benchmarking is still not well defined, since over 42 definitions were found by one source (Heib and Daneva, 1995). The original meaning of the word benchmark refers to a metric unit on a scale for measurement. From a managerial perspective, benchmarking has been defined as a continuous, systematic process for evaluating the products, services, and work processes of organizations that are recognized as representing best practices, for the purpose of organizational improvement.

2.2.1 Types of Benchmarking

Process benchmarking: The SACCOS focus their observation and investigation of business processes with a goal of identifying and observing the best practices from one or more benchmark firms. Activity analysis is required where the objective is to benchmark cost and efficiency; increasingly applied to back-office processes where outsourcing may be a consideration (Watson, 1992). Dimensions typically measured are quality, time, and cost. Improvements from learning mean doing things better, faster, and cheaper.

Product benchmarking: Saccos try to find out what products are being offered by the others and make comparisons in terms of their costs, turnover and loans default rate. This process can sometimes involve reverse engineering which is taking some of competitor’s products to find strengths and weaknesses.

This leads to designing new services and products or upgrading the current ones.

Financial benchmarking: This refers to the process by which a firm performs a financial analysis and compares the results in an effort to assess its overall competitiveness and productivity. It's measured by return on investment, return on capital and liquidity (Watson, 1993).

Operational benchmarking: This embraces everything from staffing and productivity to office flow and analysis of procedures performed. It is indicated by: The number of customers a member of staff can serve in a day; Ratio of staff to membership and members' withdrawal rate.

Strategic benchmarking: This refers to proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment. In SACCOS, this involves observing how others compete and is indicated by the extent to which a SACCO compares its strategies to those of top performers in the industry with the intention of adopting the best strategic practices.

2.3 Benchmarking Process

The application of benchmarking varies in terms of purpose and style but all benchmarking models follow five generic stages: planning; analysis and data collection; comparison and results; change; and verification and maturity.

The benchmarking process has a number of levels that can be used in the analysis of an organization. These include (Camp, 1989): Internal benchmarking – benchmarking against internal operations or standards, usually in a multi-division or multinational

enterprise, Industry (or competitive) benchmarking – benchmarking against other companies in the same industry, whether they are direct competitors or not and Process (or generic) benchmarking – benchmarking generic processes (e.g. order receipt and dispatch process) against best operations or leaders in any industry.

Camp (1995), a former Xerox benchmarking champion, separated the industry benchmarking, category (2), into “competitive” and “functional” benchmarking, with direct competitor benchmarking fitting under the former category, and those from other industries within the latter. Pozos (1995), presents another category, strategic benchmarking, which is defined as: Proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment.

The strategic benchmarking approach may show promise for determining forward looking benchmarks; those that help to identify “upstream” and “change domain” measures. “Futures benchmarking” (von Stackelberg, 1993), is a process benchmarking approach that may have applicability in aiding the analysis of breakthrough advancements. It is a technique that looks at technologies associated with business processes and uses forecasting techniques to determine what breakthroughs exist among these technologies, which could eventually serve as benchmarks. The futures benchmarking technique is primarily focused on technology benchmarking, but analysis and forecasting of advanced processes may be added to this technique. These upstream measures and forecasting techniques will prove useful for agility measurement.

The process for benchmarking should be multidimensional including public domain flow charts and metrics, visitation, presentations and other secondary source information. A multidimensional approach for gathering data will help in triangulation of the data, and thus further the validity of its use (Longmire, 1995).

Some of the characteristics to make benchmarking successful include (Sheridan, 1993): being tied to the corporation's overall strategic objectives; being able to operate efficiently; being composed of interested motivated people; focus on relevant work-group-level issues; set realistic timetables; pick the correct business partners; follow proper protocol; collect manageable bodies of data; understand the processes behind the data; and identify targets in advance. In addition, pitfalls for concern include the lack of management commitment, focusing on metrics rather than processes, and lack of follow-up to the benchmarking process (DeToro, 1995).

2.4 Benchmarking Tools

An effective benchmarking process needs to be supported by appropriate tools (identification, collection, analysis and implementation tools) and metrics. In a relatively comprehensive review of the techniques and tools available for benchmarking, Camp (1995) summarizes the tools available for each of the major steps in the benchmarking process. Tools used in benchmarking had received numerous attentions. Basically, there are two types of measurements – parametric and non-parametric. The tools used to evaluate these two categories of measurement differ.

2.4.1 Graphical Form

In the context of parametric analysis, benchmarking normally use gap analysis based techniques for performance measurement. Some of the popular gap analysis based techniques are the “spider” or “radar” diagram and the “Z” chart. These tools are very graphical in nature. Advantages of these tools are the graphical approaches made them easy to understand and they are capable of showing multiple dimensions simultaneously. However, their disadvantage is that, they cause inconveniences to the analysts as they have to integrate all the elements into a complete picture. Another well-known method used is the ratio. It computes the relative efficiencies of the output versus the inputs and is easily computed. However, a problem with comparison via ratios is that different ratios give a different picture and it is difficult to combine the entire set of ratios into a single judgment. Analytic hierarchy process maturity matrix (Homburg, 2001) is another alternative technique used in benchmarking of performance measurements. This technique utilizes a weighted score in the analysis of various benchmarks and provides a single score using perceptual values set forth by decision makers. This is a multi-attribute utility technique. Though, this method helps to quantify measure and provide managerial input, it is subjugated to high degree of subjectivity. In addition, the rank-reversal problem in AHP reduced its usefulness.

Most current tools focus on presenting the data in some graphical form. The presentation graphics are simply understood and capable of showing the multiple dimensions simultaneously, but it is still up to the analyst to integrate these elements into a complete picture. Another approach is the use of the analytic hierarchy process maturity matrix (Eyrich, 1991) which utilizes a weighted scoring technique in the analysis of various

benchmarks and provides a single score using perceptual values as set forth by decision makers. Statistical methods used to analyze the data include regression and various descriptive statistics (Blumberg, 1994; Schefczyk, 1993).

Four general categories of graphical presentation are used: simple summaries such as tables, frequency distributions (quartiles, ranked, histogram, or scatter diagrams), and conventional bar charts visualizing an indicator such as equipment efficiencies.

2.4.2 Multiple Regression

Statistical methods (i.e. regression and various descriptive statistics) are also used to analyze data in performance benchmarking (Moseng, 1995). These are parametric measures. Even though strong theoretical foundation of statistical tool such as multiple regressions is able to provide meaningful interpretation of the data, yet a limitation occurs in the number of simultaneous inputs and outputs that needs to be considered. Regression equations can only analyze one single output at a time and one must repeat the regression analysis as often as the number of criteria included. In addition, regression analysis can only determine average values, which probably do not actually occur in any of the units examined. The results therefore hardly can serve as benchmarks because they neither represent “best practice” nor do they exist in the real world. Similarly, regression analysis inherits the assumption that all observed firms combine their input factors in the same way. However, in practice, production technology typically varies (Freeman, 1994; Vromen, 1995).

Yet, even with the strong theoretical foundation of statistical tools such as multiple regression, a limitation occurs in the number of simultaneous inputs and outputs to

consider (from a dependent/independent variable perspective) and that regression measures a correlation or central tendency, but not best practice.

2.4.3 Balanced Scorecard (BSC)

Moving to the non-parametric methods, one of the commonly used tools in performance measurement is balanced scorecard (BSC). BSC provides a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures. Much more than a measurement exercise, the BSC is a management system that can motivate breakthrough improvements in critical areas such as product, process, customer and market development (Kaplan and Norton, 1993). The scorecard basically covered four different perspectives from which to choose measures. It complements traditional financial indicators with measures of performance for customers, internal business/processes and innovation and learning activities (Kaplan and Norton, 1996). In this way, BSC is distinguished itself by being able to link the company's strategic objectives to the long-term trend analysis for planning and performance evaluation. However, BSC specifies neither any mathematical-logical relationships among the individual scorecard criteria nor a unitary, objective weighting scheme for them. Hence, it is difficult to make comparisons within and across firms on the basis of BSC. In addition, the inefficient use of resources may go unrecognized and one normally turns to parametric methods in order to arrive at some judgments about the efficiency of resource usage (Rickards, 2003).

2.4.4 Data Envelopment Analysis (DEA)

Another non-parametric tool that is commonly used for benchmarking is data envelopment analysis (DEA). DEA uses the linear programming technique to evaluate the efficiencies of the analyzed units. DEA has been recently applied as a benchmarking tool innovation in supply chain (Talluri and Sarkis, 2001). DEA is able to evaluate the performance measures quantitatively as well as qualitatively, hence enabling managers to make reasonable judgment on the efficiency of the resource usage. The concept of efficient frontier analysis suggested by Farrell (1957) forms the basis of DEA for evaluation of performance units. At such, it takes into consideration the best value that can be obtained from the set of data and is not based on the average value. A brief methodology of DEA is discussed. DEA requires the inputs and outputs for each decision-making unit (DMUs) to be specified. It will then define efficiency for each DMU as a weighted sum of outputs divided by a weighted sum of inputs, where all efficiencies are restricted to lie between 0 and 1. In calculating the numerical value for the efficiency of a particular DMU, the weights are chosen so as to maximize its efficiency, thereby presenting the DMU in the best possible light. Schefczyk (1993) showed that for internal benchmarking, traditional ratio approaches correlate with simple DEA models. Athanassopoulos and Ballantine (1995) further supported this concept and added that ratio analysis itself is insufficient for assessing performance. More advanced tools such as DEA need to be used to complement ratio analysis. Past work has also showed that DEA can be used effectively as a performance analysis tool in benchmarking (Bell and Morey, 1995). However, the two techniques have not been explicitly linked.

2.5 Application of Benchmarking In Various Areas of Businesses.

Since the early 1980s a large number of articles have been written on the application of benchmarking in various areas of businesses. The content of these articles is extremely diverse ranging from manufacturing to health care, marketing, supply chain, human resources, and accounting. Harrison (1999) presents detailed analysis of the evolution of different aspects of benchmarking activities. Bogan and English (1994) present a comparison of the Xerox and Kodak benchmarking processes. Although the two methods utilize a different number of steps, their overall logic is quite similar.

Zairi and Whymark (2000) present successful results of the application of benchmarking at the British Royal Mail. The benchmark focused entirely on the speed of computational performance, and other important features of a computer system, such as: Qualities of service, aside from raw performance. Examples of unmeasured qualities of service include security, availability, reliability, execution integrity, serviceability, scalability (especially the ability to quickly and nondestructively add or reallocate capacity). There are often real trade-offs between and among these qualities of service, and all are important in business computing. Transaction Processing Performance Council Benchmark specifications partially address these concerns by specifying ACID property tests, database scalability rules, and service level requirements.

Applications of benchmarking to world-class purchasing and to US service sectors have been reported by Roth et al. (1997). According to them, benchmarks do not measure Total cost of ownership. Transaction Processing Performance Council Benchmark specifications partially address this concern by specifying that a price/performance metric

must be reported in addition to a raw performance metric, using a simplified TCO formula.

The use of benchmarking as an effective organizational learning tool is presented by Ford and Evans (2001), Watson (2001), O'Dell and Grayson (2000) and Evans and Dean (2003). They employed Benchmarking to measure real world performance of mixed workloads running multiple applications concurrently in a full, multi-department or multi-application business context. For example, IBM's mainframe servers (System z9) excel at mixed workload, but industry-standard benchmarks don't tend to measure the strong I/O and large and fast memory design such servers require. (Most other server architectures dictate fixed-function (single-purpose) deployments, e.g. "database servers" and "Web application servers" and "file servers," and measure only that. The better question is, "What more computing infrastructure would I need to fully support all this extra workload?"). Benchmarks are having trouble adapting to widely distributed servers, particularly those with extra sensitivity to network topologies. The emergence of grid computing, in particular, complicates benchmarking since some workloads are "grid friendly", while others are not. A comprehensive list of legal and ethical issues of benchmarking is presented by Brue (2002) and Bogan and English (1994). Although the content of the above articles is diverse, their approach is primarily product or process benchmarking and they focus only on the technical and quantitative aspects of benchmarking. However, as Furey (1987), Goldwasser (1995), Kaplan and Norton (1992) and Talluri and Vazacopoulos (1998) argued, effective benchmarking is more than comparative analysis of quantitative measures from one company to another. They argue that Vendor benchmarks tend to ignore requirements for development, test, and disaster

recovery computing capacity. In some embedded systems, where memory is a significant cost, better code density can significantly reduce costs.

2.6 Advantages of Benchmarking

Among the advantages of benchmarking is its ability to draw on existing knowledge and tools for strategic planning, competitive analysis, process analysis and improvement, team building, data collection and perhaps most important, organisational development. Also, benchmarking provides a high payoff in terms of quality, productivity and customer satisfaction, when linked to a strategic planning framework (Daniels, 1996). Consequently, benchmarking is a technique that helps in the implementation of change.

Equally, benchmarking provides an insight into prevailing business performance, by observing the achievement of other organisations. This information is often obtained through the examination of one's competitors. Thus, benchmarking is equally an awareness technique that could help organisations to become familiar with new technological and managerial breakthroughs that other organisations are already using in their processes (Allan, 1993).

In summary, benchmarking has been shown to offer organisations the following benefits: It adequately meets end-user/customer requirements in terms of business improvement (Camp, 1989; Shetty, 1993), It establishes pragmatic goals based on a concerted view of external conditions (Spendolini, 1992), It determines authentic measures of productivity (Allan, 1993); It helps to change internal paradigms and “see out of the box” (Spendolini, 1992); It supports the quest for a competitive position (Camp, 1989); It creates awareness of industry good practice (Camp, 1989; Shetty, 1993) and finally It provides significant

leaps in performance not always attained by other management techniques (Sedgwick, 1995).

Despite these benefits, and the fact that existing benchmarking literature strongly promotes the advantages, benchmarking like most management techniques has some areas that could be further developed (Wareham and Gerrits, 1999; Bhutta and Huq, 1999; Cox and Thompson, 1998). These areas are essentially based on the appropriateness of the information used during the benchmarking study. This paper has categorised these areas using the following headings: static perception, transferability, diversity, lack of direction and reductionist approach. The sections below describe how the classification-based framework proposed by this paper will help to develop these areas or avoid their limitations, whilst facilitating the learning process that is pivotal to benchmarking.

2.7 Empirical Review on Benchmarking and Financial performance

Most of the literature views benchmarking as a vector of performance, as this practice answers the firm's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment (Haughton et al., 1999; Skandalakis and Nelder, 2001). For Underdown and Talluri (2002), benchmarking is the initial step in a continuous improvement process. At the operational level, it can lead to significant improvements in terms of flexibility, integration, reduced costs, and customer satisfaction (Brah et al., 2000). For Ahmed et al. (1996, in Camp, 1989), benchmarking allows an organisation to achieve continuous improvement by quickly

signalling deterioration in its competitiveness or identifying areas that need to be adjusted.

Among the relatively few empirical investigations of the manufacturing sector, Voss et al.'s (1997) study of 660 European firms found benchmarking to have a positive effect on both operational and financial performance. They measured performance using various standard financial performance measures of profitability. The key measures are: Gross profit margin, revenue growth, Operating margin, Net profit margin and Return on capital employed (ROCE). Operational performance was measured using the real drivers behind financial performance, such as: Process efficiency, Human resource development, Leadership effectiveness, Customer retention and growth, Product and service innovation and Brand image and reputation. Elmuti's (1998) survey of 152 American firms reported that 60 per cent found their benchmarking programme to be cost-effective, having obtained sufficient benefits in terms of quality and productivity. Examining value-chain management practices, two other studies found that benchmarking firms operationally and financially outperformed non-benchmarking firms (Ahmed et al., 1996; Carr and Smeltzer, 1999). Furthermore, Voss et al. (1997) found a positive relationship between benchmarking and performance, the relation being stronger for operational performance than for business or global performance.

However, the relationship between benchmarking and performance is very difficult – if not impossible – to isolate. Confirming this difficulty, Omachonu and Ross (1994, in Elmuti and Kathawala, 1997) mentioned that Xerox achieved higher performance simply by the improved process and climate in the whole organization. Hanson and Voss (1995)

concluded their paper by stating that benchmarking alone is not sufficient – the organization also needs vision, energy and teamwork to increase its performance after a benchmarking activity. Finally, as suggested by Carr and Smeltzer (1999) and Ahmed et al. (1996), while a benchmarking exercise may be aimed at one functional area such as manufacturing, firms may also as a result implement new managerial practices in other areas such as human resources management that also contribute to increased performance.

Benchmarking is a universal management tool that can be defined as the systematic process of searching for best practices, innovative ideas, and effective operating procedures that lead to superior performance (Bogan and Callahan, 2001). Its main idea is to realize real breakthroughs in performance through the identification of best practices that contribute to performance improvements. Benchmarking stimulates companies to learn quickly from others in order to leap ahead of the competition and create new performance standards (Garvin, 1993). Boyson et al. (1999) stated that a company may belong to many supply chains due to the fact that few areas of logistics decision and market access are under their direct control. The revolution of supply chain management in the last decade has testified that an increasing number of companies seek to enhance performance beyond their own four walls. Christopher (1998) proposed that benchmarking is relevant in studying the supply chain by measuring the company's products, services, and processes and comparing them against the relevant metrics of successful firms.

Supply chain benchmarking is an improvement technique that considers how others perform a similar activity, task, process or function. By comparing the company's operations with those of other organizations, there is potential to learn and improve performance. Hanman (1997) stated that supply chain benchmarking can lead to an increase in the competitiveness of the company as the performance of a company is compared with the best practice of its kind in the field.

2.8 Conclusion

From the review of the literature above benchmarking is a disciplined process that begins with a thorough search to identify best-practice-organisations, 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. The application of benchmarking varies in terms of purpose and style but all benchmarking models follow five generic stages: planning; analysis and data collection; comparison and results; change; and verification and maturity. An effective benchmarking process needs to be supported by appropriate tools and metrics.

Since the early 1980s a large number of articles have been written on the application of benchmarking in various areas of businesses. The content of these articles is extremely diverse ranging from manufacturing to health care, marketing, supply chain, human resources, and accounting. Benchmarking is the initial step in a continuous improvement process. At the operational level, it can lead to significant improvements in terms of flexibility, integration, reduced costs, and customer satisfaction. Most of the literature

views benchmarking as a vector of performance, as this practice answers the firm's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment. The studies reviewed in this chapter consist of research that have been done on the field of benchmarking in the developed countries whose business strategies are quite different from the business strategies adopted in the developing countries like Kenya. The studies have also been conducted on other companies but not on SACCOS. Therefore there exist a gap in literature on the relationship between benchmarking and performance of SACCOS. This study thus seeks to fill the gap in literature by investigating the relationship between benchmarking and financial/operational performance. a case study of Nairobi based SACCOS.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure that aided the researcher in answering the raised research question. The chapter deals with research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

This study adopted a causal research design. Causal Research explores the effect of one variable on another, that is, measures what impact a specific change will have on existing norms hence is useful in hypothesis testing (Kotler, Adam, S, Brown, L & Armstrong (2006). This research design was selected so that the financial impact of benchmarking on the performance of SACCOs can be established.

3.3 Population

A population is the total collection of elements about which the researcher wishes to make some inferences (Cooper & Schindler, 2003). Population is also defined as the complete set of cases or group members (Saunders M., Lewis P., Thornhill A.2007). The population of interest was all SACCOs in Nairobi province while the study set up was Nairobi North District. There were 375 active SACCOS in Nairobi North District (District commissioner of co-operatives, Nairobi North).

3.4 Sample Size

The sample of interest of this study was selected using random sampling method to come up with a sample size of thirty five (35) SACCOS. Simple random sampling was selected so that all samples of the same size would have an equal chance of being selected from the population. According to Cooper and Schindler (2003), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used.

3.5 Data Collection

The study used both primary and secondary data. Secondary data was derived from management reports and Annual General Meeting reports, management books and research reports. The primary data was collected through the use of a structured questionnaire which were dropped and picked later at the selected employees` desks. The questionnaire consisted of both open and closed ended questions.

One employee was selected from each of the sampled Nairobi North based SACCOS and administered with the questionnaire. The staffs selected from the SACCOS were those in managerial positions. This is because they are more conversant with the relationship between benchmarking and performance at the SACCOs. It also made it easier to get adequate and accurate information necessary for the research.

The information also included company operational policies, laws and regulations that should be adhered to.

3.5.1 Validity and Reliability of Research Instrument

Validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed by this study is a measure of the degree to which data collected using a particular instrument represented a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially the researcher's supervisor and lecturers in the department of educational administration, planning and curriculum development. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity

According to Shanghverzy (2003), reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures (ibid).

Reliability of the research instrument was enhanced through a pilot study that was done on two SACCOs within Nairobi. The pilot data was not be included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with the research and its administration procedure as well as identification of items that required

modification. The results helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measured what was intended.

3.6 Data Analysis

The study adopted the use of descriptive and inferential statistics in the analysis of the data. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (version 16) and presented through percentages, means, standard deviations and frequencies. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives.

According to Cooper and Schindler (1999), descriptive statistics have often been used in exploratory studies. The section of the questionnaire that relates benchmarking and performance was analyzed using inferential statistics whereby multiple linear regression analysis was applied in determining the extent to which the SACCOs have used BSC perspectives as their performance measures.

3.6.1 Model Specification

Since the most important indicators of organisational performance is profit, the study used profit to measure financial and operational performance of the SACCOs and regressed this against the benchmarking variables: process, product, financial, strategic and operational benchmarking. The study used the logarithm of the previous year's profit to reduce it against various benchmarking strategies that were quantified using a Likert

scale scores whose means were computed for each factor within the element. The regression model used in the study is:

$$\ln\text{PROF} = \beta_0 + \beta_1\text{PBP} + \beta_2\text{PrBP} + \beta_3\text{FBP} + \beta_4\text{SBP} + \beta_5\text{OBP} + \varepsilon_{it}$$

Whereby β_0 is constant of the model while β_1 , β_2 , β_3 and β_4 are the coefficients of the independent variables

$\ln\text{PROF}$ = natural logarithm of the previous year's profit

PBP = total mean scores for the factors within the Process benchmarking perspective

PrBP = total mean scores for the factors within the Product benchmarking perspective

FBP = total mean scores for the factors within the Financial benchmarking perspective

SBP = total mean scores for the factors within the Strategic benchmarking perspective

OBP = total mean scores for the factors within the Operational benchmarking perspective

ε_{it} = an error term for the model

The data that was collected in the questionnaire was coded and run in Statistical Package for Social Sciences (SPSS version 16) so as to get the coefficient of the regression model above.

CHAPTER FOUR

4.0 DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter provides the analysis and interpretations of the data from the field. The researcher targeted the staff in the SACCOS in managerial positions to provide information on the relationship between benchmarking and financial performance with specific reference to Nairobi North based SACCOS.

4.2 General Information

Table 4.1 Gender of the Respondents

	Frequency	Percent
Male	20	71.4
Female	8	28.6
Total	28	100.0

(Source: Research Findings)

The findings in the above table show the gender of the respondents. From the findings, the study established that the majority of respondents were male as shown by 71.4%, while females were 28.6%.

Table 4.2 Age bracket of the respondent.

Age Bracket	Frequency	Percent
18-25 years	3	10.0
26 – 35 years	8	30.0
36 – 45 Years	11	40.0
46 and above	5	20.0
Total	28	100.0

(Source: Research Findings)

On the age of the respondents, the study found that the majority of the respondents were between 36-45 years as shown by 40%, 30% were 26-35 years, 20% of the respondents were 46 and above years, while a small proportion of respondents as indicated by 10% were between 18-25 years old.

Table 4.3 Level of Education

	Frequency	Percent
Certificate/diploma	3	10.0
Graduate	15	53.3
Postgraduate	10	36.7
Total	28	100.0

(Source: Research Findings)

The study also sought to establish the respondents' highest level of education. According to the findings, the majority of respondents had an undergraduate degree as shown by 53.3% of the respondents, 36.7% had a postgraduate degree, while a small proportion of respondents as indicated by 10% had a certificate/diploma as their highest level of education.

Table 4.4 Duration worked in the Sacco

	Frequency	Percent
Less than 5 years	4	13.3
Between 5 and 10 Years	13	46.7
More than 10 years	11	40.0
Total	28	100.0

(Source: Research Findings)

The respondents were also required to indicate the number of years that they had been working in their respective Sacco. From the study 46.7% of the respondents had been working for a period between 5 and 10 years, 40% of the respondents said more than 10 years, while 13.3% of the respondents reported that they had been working in their respective Sacco for less than 5 years.

Table 4.5 Position held in the organization

	Frequency	Percent
Head of department	12	42.9
Assistant manager	4	14.3
Supervisor	12	42.9
Total	28	100.0

(Source: Research Findings)

The study also sought to establish the positions that the respondents held in their organizations. From the findings, the respondents who held positions such as head of department and supervisor were represented by 42.9% while 14.3% of the respondents were assistant managers.

4.3 Benchmarking Practices

Table 4.6 Ways that Benchmarking is used at the SACCO

	Frequency	Percent
As an incremental continuous improvement tool	16	57.1
For major changes of process re-engineering	12	42.9
Total	28	100.0

(Source: Research Findings)

The respondents were also requested to indicate the ways that benchmarking is used at the SACCOs. From the results of the study, the majority of the respondents (57.1%) said it was used as an incremental continuous improvement tool, while a small proportion of respondents as indicated by 42.9% said it was used for major changes of process re-engineering.

Table 4.7 Extent that the SACCOS apply various benchmarking practices

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
A thorough search to identify best-practice-organizations	28.6	14.3	42.9	14.3	0	2.4286	1.06904
Careful study of own practices and performance	28.6	42.9	28.6	0	0	2	0.7698
Systematic site visits and interviews	14.3	28.6	42.9	14.3	0	2.5714	0.92009
Analysis of results	28.6	28.6	14.3	28.6	0	2.4286	1.19965
Development of recommendations	28.6	28.6	28.6	14.3	0	2.2857	1.04906
Implementation of significantly better practices	42.9	28.6	28.6	0	0	1.4571	0.84828

(Source: Research Findings)

The study also required the respondents to indicate the extent that the SACCO applies various benchmarking practices. According to the responses given, majority of the respondents said they apply implementation of significantly better practices to a very

great extent as shown by a mean score of 1.4571. Majority of the respondents also indicated that the practices applied to a great extent were such as careful study of own practices and performance shown by a mean score of 2, development of recommendations shown by a mean score of 2.2857, analysis of results and a thorough search to identify best-practice-organizations shown by a mean score of 2.4286 in each case. Majority of the respondents also indicated that they apply systematic site visits and interviews to a moderate extent shown by a mean score of 2.5714.

Table 4.8 Extent that Saccos apply various benchmarking strategies

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Internal benchmarking (benchmarking against internal operations or standards)	28.6	28.6	28.6	14.3	0	2.2857	1.04906
Industry (or competitive) benchmarking. Benchmarking against other companies in the same industry.	14.3	28.6	42.9	14.3	0	2.5714	0.92009
Process (generic) benchmarking. Benchmarking generic processes against best operations or leaders in any industry.	0	42.9	57.1	0	0	2.5714	0.50395

Strategic benchmarking. (Proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment)	28.6	14.3	28.6	28.6	0	2.5714	1.19965
Futures benchmarking. looks at technologies associated with business. processes and uses forecasting techniques to determine what breakthroughs exist among these technologies)	14.3	28.6	14.3	42.9	0	2.8571	1.1455
Product benchmarking	0	14.3	71.4	14.3	0	3	0.54433
Financial benchmarking	14.3	28.6	42.9	14.3	0	2.5714	0.92009
Operational benchmarking	14.3	28.6	57.1	0	0	2.4286	0.7418

(Source: Research Findings)

The study also wanted to establish the extent that Saccos apply various benchmarking strategies. According to the study, majority of the respondents reported that strategies such as internal benchmarking shown by a mean score of 2.2857 and operational benchmarking shown by a mean score of 2.4286 were applied to a great extent. Industry (or competitive) benchmarking, process (or generic) benchmarking, strategic benchmarking (proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect

strategic direction and deployment) and financial benchmarking shown by a mean score of 2.5714 in each case and futures benchmarking shown by a mean score of 2.8571 and product benchmarking shown by a mean score of 3 are applied to a moderate extent.

Table 4.9 Extent that various factors contribute to the successful implementation of benchmarking at the SACCO

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Being tied to the SACCO's overall strategic objectives	14.3	57.1	28.6	0	0	1.8743	.6506
Being composed of interested motivated people	42.9	42.9	14.3	0	0	1.4143	.71270
Focus on relevant work-group-level issues	14.3	28.6	42.9	14.3	0	2.5714	.92009
Set realistic timetables	28.6	42.9	28.6	0	0	2.0000	.76980
Picking the correct business partners and allies	14.3	28.6	57.1	0	0	1.8743	0.92009
Following proper protocol	0	42.9	57.1	0	0	1.4143	0.50395
Collecting manageable bodies of data	14.3	28.6	42.9	14.3	0	2.5714	1.19965
Understanding the processes behind the data	14.3	28.6	57.1	0	0	2.5714	1.1455
Identify targets in advance.	28.6	28.6	42.9	0	0	1.4429	.84828

(Source: Research Findings)

From the results of the study on the extent that various factors contribute to the successful implementation of benchmarking at the SACCO, the majority of respondents indicated that being composed of interested motivated people shown by a mean score of 1.4143 and identification of targets in advance shown by a mean score of 1.4429 contribute to the successful implementation of benchmarking at the SACCOs to a very great extent. Majority of the respondents also indicated that the factors that contribute to the successful implementation of benchmarking at the SACCO to a great extent were such as being tied to the SACCO's overall strategic objectives shown by a mean score of 1.8743, set realistic timetables shown by a mean score of 2.0000, understanding the processes behind the data and picking the correct business partners and allies shown by a mean score of 2.4286 in each case. The study further established that focus on relevant work-group-level issues, following proper protocol and collecting manageable bodies of data shown by a mean score of 2.5714 in each case contribute to the successful implementation of benchmarking at the SACCO to a moderate extent.

The study also required the respondents to indicate the tools and metrics used to support effective benchmarking process at the SACCO. From the study the tools and metrics used to support effective benchmarking process at the SACCO include identification, collection, analysis and implementation tools and metrics.

4.4 Relationship between Benchmarking and Performance

Table 4.10 Extent that various benefits of benchmarking enhance the overall business performance realized by SACCOs

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Team building	14.3	28.6	42.9	14.3	0	2.571	.9201
Organizational development	0	55.1	16.3	14.3	14.3	2.5714	.74180
High payoff in terms of quality and customer satisfaction	14.3	57.1	28.6	0	0	2.1429	.65060
Helps in the implementation of change	14.3	28.6	57.1	0	0	2.4286	.74180
Provides an insight into prevailing business performance	14.3	42.9	42.9	0	0	2.2857	.71270
Establishes pragmatic goals based on a concerted view of external conditions	0	57.1	14.3	14.3	14.3	2.8571	1.14550
Determines authentic measures of productivity	0	85.7	14.3	0	0	2.1429	.35635
Helps to change internal paradigms and “see out of the box”	14.3	57.1	28.6	0	0	1.4029	.65060
Creates awareness of industry good practices	14.3	71.4	14.3	0	0	2.0000	.54433
Supports the quest for a competitive position	28.6	42.9	28.6	0	0	2.0000	.76980

(Source: Research Findings)

Table 4.11 Extent that benchmarking help in improving the various financial Performance measures of profitability at the SACCOs

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Gross profit margin	14.3	28.6	57.1	0	0	2.429	.7418
Revenue growth	28.6	42.9	28.6	0	0	1.3460	.76980
Operating margin	14.3	42.9	42.9	0	0	2.2857	.71270
Net profit margin	14.3	71.4	14.3	0	0	2.0000	.54433
Return on capital employed (ROCE).	14.3	42.9	28.6	14.3	0	2.5714	1.19965
Net firm income from operations	14.3	71.4	14.3	0	0	2.0000	.54433
Rate of return on assets	14.3	28.6	42.9	14.3	0	2.5714	.92009
Rate of return on equity	14.3	57.1	14.3	14.3	0	2.2857	.89679
Operating profit margin	14.3	71.4	14.3	0	0	1.4210	.54433

(Source: Research Findings)

According to the findings in table 4.10 on the extent that various benefits of Benchmarking enhance the overall business performance realized by a SACCO, the majority of respondents indicated that it helps to change internal paradigms and “see out of the box” to a very great extent shown by a mean score of 1.4029. Majority of the respondents also indicated that the benefits that enhance overall performance to a great extent were such as it creates awareness of industry good practices and supports the quest for a competitive position shown by a mean score of 2.0000 in each case, determines authentic measures of productivity and enhance high payoff in terms of quality and customer satisfaction shown by a mean score of 2.1429, provides an insight into prevailing business performance shown by a mean score of 2.2857 and helps in the implementation of change shown by a mean score of 2.4286. Further, majority of the respondents also indicated that the benefits that enhance overall performance to a moderate extent were such as team building shown by a mean score of 2.571, organizational development shown by a mean score of 2.5714 and establishes pragmatic goals based on a concerted view of external conditions shown by a mean score of 2.8571. The respondents were also requested to indicate the extent that benchmarking help in improving the various financial performance measures of profitability at the SACCOs. According to the findings, the majority of respondents indicated that it improves revenue growth to a very great extent shown by a mean score of 1.3460, and also operating profit margin shown by a mean score of 1.4210. Majority of the respondents also indicated that the financial performance measures of profitability at the SACCOs that are improved to a great extent were such as net profit margin and net firm income from operations shown by a mean score of 2.0000, operating margin and rate of return on equity shown by a

mean score of 2.2857 and gross profit margin shown by a mean score of 2.429. Further majority of the respondents indicated that the financial performance measures of profitability at the SACCOs that are improved to a moderate extent were such as return on capital employed (ROCE) and rate of return on assets shown by a mean score of 2.5714 each.

Table 4.12 Extent that benchmarking lead to improvement in various areas at the operational level within the SACCO

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Flexibility	0	0	28.6	71.4	0	2.7143	.46004
Integration	0	0	42.9	57.1	0	2.5714	.50395
Reduced costs	14.3	14.3	42.9	28.6	0	2.8571	1.00791
Customer satisfaction	14.3	71.4	14.3	0	0	2.0000	.54433
Process improvement	28.6	42.9	14.3	14.3	0	2.2857	1.30120
Assessing and improving training functions	42.9	28.6	28.6	0	0	2.8571	.84828
Quality improvement	14.3	71.4	14.3	0	0	1.4353	.54433
Quality planning	14.3	42.9	28.6	14.3	0	2.5714	1.19965
Process management	0	0	28.6	71.4	0	2.1429	1.00791

Process efficiency	0	0	42.9	57.1	0	2.1429	.65060
Human resource development	14.3	14.3	42.9	28.6	0	2.8571	1.00791
Leadership effectiveness	14.3	71.4	14.3	0	0	3.0000	1.33333
Customer retention and growth	28.6	42.9	14.3	14.3	0	3.0000	.94281
Product and service innovation	42.9	28.6	28.6	0	0	2.5714	1.31736
Brand image and reputation	14.3	71.4	14.3	0	0	3.1429	.84828

(Source: Research Findings)

On the extent that benchmarking lead to improvement in various areas at the operational level within the SACCO, majority of the respondents indicated that benchmarking lead quality improvement to a very great extent shown by a mean score of 1.4353. Majority of the respondents also indicated benchmarking lead to improvement to a great extent in various areas at the operational level within the SACCO such as customer satisfaction shown by a mean score of 2.0000, process management and process efficiency shown by a mean score of 2.1429 and process improvement shown by a mean score of 2.2857. Majority also indicated that benchmarking lead to improvement to a moderate extent in various areas at the operational level within the SACCO such as integration and quality planning shown by a mean score of 2.5714 in each case, product and service innovation

and flexibility shown by a mean score of 2.7143, reduced costs, assessing and improving training functions and human resource development shown by a mean score of 2.8571, leadership effectiveness and customer retention and growth shown by a mean score of 3.0000 and brand image and reputation shown by a mean score of 3.1429.

Table 4.13 Level of agreement with the various statements that relate to the relationship between benchmarking and performance

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
Knowledge generated by researchers during benchmarking allows SACCOS, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities.	28.6	28.6	14.3	28.6	0	2.4286	1.19965
Greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOS if these practices are to be adopted effectively.	14.3	71.4	14.3	0	0	2.0000	.54433
Benchmarking activities developed for SACCOS must be specific to the environment and constraints of these organizations if the	42.9	42.9	14.3	0	0	1.7143	.71270

implementation of the practices identified by such activities is to succeed and result in increased performance.							
Benchmarking answers the SACCO's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment	28.6	42.9	14.3	14.3	0	2.1429	1.00791
Benchmarking allows the SACCO to achieve continuous improvement by quickly signaling deterioration in its competitiveness or identifying areas that need to be adjusted	0	71.4	28.6	0	0	2.2857	.46004
Benchmarking at the SACCO facilitates learning and understanding of the organization and its processes.	14.3	14.3	71.4	0	0	1.8571	.84828
Benchmarking enables the SACCO to identify the key processes that need improvement, and to search for applicable solutions from the best in class	57.1	42.9	0	0	0	1.4286	.50395
Benchmarking alone is not sufficient – the SACCO also needs vision, energy and teamwork to increase its performance after a benchmarking activity	85.7	14.3	0	0	0	1.1429	.35635

(Source: Research Findings)

The study wanted to establish the level of agreement with the various statements that relate to the relationship between benchmarking and performance. From the findings, majority of the respondents strongly agreed that benchmarking alone is not sufficient – the SACCO also needs vision, energy and teamwork to increase its performance after a benchmarking activity shown by a mean score of 1.1429 and benchmarking enables the SACCO to identify the key processes that need improvement, and to search for applicable solutions from the best in class shown by a mean score of 1.4286. Majority of the respondents were also in agreement that benchmarking activities developed for SACCOs must be specific to the environment and constraints of these organizations if the implementation of the practices identified by such activities is to succeed and result in increased performance shown by a mean score of 1.7143, benchmarking at the SACCO facilitates learning and understanding of the organization and its processes shown by a mean score of 1.8571, greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively shown by a mean score of 2.0000. Benchmarking answers the SACCO's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment shown by a mean score of 2.1429, benchmarking allows the SACCO to achieve continuous improvement by quickly signaling deterioration in its competitiveness or identifying areas that need to be adjusted shown by a mean score of 2.2857 and knowledge generated by researchers during benchmarking allows SACCOs, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities shown by a mean score of 2.4286.

4.5 Obstacles

Table 4.14 Extent that the SACCOs experience various obstacles in a bid to benchmark its activities

	Very great extent	Great extent	Moderate extent	Little extent	Not at all	Mean	Std. Deviation
Lack of management commitment	0	42.9	28.6	28.6	0	2.8571	.84828
Focusing on metrics rather than processes	0	42.9	28.6	14.3	14.3	3.0000	1.08866
Lack of follow-up to the benchmarking process	0	71.4	0	28.6	0	2.5714	.92009
Insufficient financial resources to allocate to benchmarking	28.6	42.9	14.3	14.3	0	1.3429	1.00791
Insufficient human resources to allocate to benchmarking	0	42.9	57.1	0	0	2.5714	.50395
Owner-managers refusal to divulge strategic information	0	42.9	42.9	14.3	0	2.7143	.71270
Owner-managers not aware of the need for and the potential benefits of benchmarking	0	42.9	28.6	28.6	0	2.8571	.84828
Lack of time or resources allocated to the exercise	0	85.7	14.3	0	0	2.1429	.35635
Greater environmental uncertainty in the SACCOS	14.3	14.3	57.1	14.3	0	2.7143	.89679

(Source: Research Findings)

On the extent that the SACCOs experience various obstacles in a bid to benchmark its activities, majority of the respondents indicated that they experience the obstacle of insufficient financial resources to allocate to benchmarking as shown by a mean score of 1.3429. According to the majority of the respondents the obstacles experienced to a great extent were such as lack of time or resources allocated to the exercise and lack of time or resources allocated to the exercise shown by a mean score of 2.1429 in each case. Those that affect to a moderate extent were such as lack of follow-up to the benchmarking process and insufficient human resources to allocate to benchmarking shown by a mean score of 2.5714 each, owner-managers refusal to divulge strategic information and greater environmental uncertainty in the SACCOS shown by a mean score of 2.7143 in each case, owner-managers not aware of the need for and the potential benefits of benchmarking and lack of management commitment shown by a mean score of 2.8571 and focusing on metrics rather than processes shown by a mean score of 3.0000.

Table 4.15: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Process benchmarking	0.097	0.009	0.003	0.718
Product benchmarking	0.257	0.066	0.060	0.697
Financial benchmarking	0.365	0.085	0.076	0.564
Strategic	0.140	0.020	0.013	0.714

benchmarking				
Operational benchmarking	0.223	0.064	0.059	0.611

(Source: Research Findings)

The above table presents the correlation and the coefficient of determination between profitability (dependent variable) and the independent variables (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence). From the findings, the study found that there was a positive but weak relationship between the dependent variable and the independent variables.

Of all the five independent variables, financial benchmarking had the highest relationship with the Saccos' profitability of 0.365 followed by product benchmarking with 0.257 and operational benchmarking with 0.223. Process benchmarking had the weakest relationship with the performance of 0.097, while Strategic benchmarking came fourth with a correlation value of 0.140.

Table 4.16 Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742(a)	.194	.172	.46316

(Source: Research Findings)

Predictors: Constant, process benchmarking, product benchmarking, financial benchmarking, strategic benchmarking and operational benchmarking

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (performance) that is explained by all the five independent variables (process benchmarking, product benchmarking, financial benchmarking, strategic benchmarking and operational benchmarking).

The five independent variables that were studied, explain only 19.4% of the SACCOS performance as represented by the R^2 . This therefore means the four independent variables only contribute about 19.4% to the SACCOS performance while other factors not studied in this research contributes 80.6% of the SACCOS performance.

Therefore, further research should be conducted to investigate the other factors (80.6%) that contribute to the SACCOS performance.

Table4.17: Multiple Regression Analysis

Model		Coefficients	
		Beta	Std. Error
1	(Constant)	1.334	.311
	Process benchmarking	-.144	.164
	Product benchmarking	0.0196	0.0481
	Financial benchmarking	0.1981	0.0714
	Strategic benchmarking	0.0288	0.0501
	Operational benchmarking	0.0189	0.0399

(Source: Research Findings)

Dependent Variable: process benchmarking, product benchmarking, financial benchmarking, strategic benchmarking and operational benchmarking

The researcher conducted a multiple regression analysis so as to determine the relationship between the SACCO performance and the five benchmarking practices. The regression equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$) will be:

$$Y = 1.334 + -0.144 X_1 + 0.0196X_2 + 0.1981X_3 + 0.0288\beta_4X_4$$

Whereby Y = Sacco's performance

X1 = process benchmarking

X2 = product benchmarking

X3 = financial benchmarking

X4 = strategic benchmarking

X5 = operational benchmarking

According to the regression equation established, taking all factors (process benchmarking, product benchmarking, financial benchmarking, strategic benchmarking and operational benchmarking) constant at zero, the performance of the SACCOs as a result of benchmarking practices will be 1.334.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

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

5.2 Summary of the Findings

From the findings, the study established that benchmarking is used at the SACCOs as an incremental continuous improvement tool. The study also established that SACCOs apply implementation of significantly better practices, careful study of own practices and performance, development of recommendations, analysis of results and a thorough search to identify best-practice-organizations.

The study also established that SACCOS apply benchmarking strategies such as internal benchmarking (benchmarking against internal operations or standards) and operational benchmarking and industry (or competitive) benchmarking (benchmarking against other companies in the same industry) and process (or generic) benchmarking (benchmarking generic processes).

On the extent that various factors contribute to the successful implementation of benchmarking at the SACCOs, the study established that the factors that contribute to the successful implementation of benchmarking at the SACCOs were such as being composed of interested motivated people and identification of targets in advance, being tied to the SACCO's overall strategic objectives , setting realistic timetables,

understanding the processes behind the data and picking the correct business partners and allies.

On the extent that various benefits of benchmarking enhance the overall business performance realized by the SACCO, the study established that it helps to change internal paradigms and “see out of the box”, it creates awareness of industry good practices and supports the quest for a competitive position, determines authentic measures of productivity and enhance high payoff in terms of quality and customer satisfaction, provides an insight into prevailing business performance and helps in the implementation of change.

On the extent that benchmarking help in improving the various financial performance measures of profitability at the SACCOs, the study found that it improves revenue growth, and also operating profit margin, net profit margin and net firm income from operations, operating margin and rate of return on equity and gross profit margin, return on capital employed (ROCE) and rate of return on assets.

On the extent that benchmarking lead to improvement in various areas at the operational level within the SACCO, the study established that benchmarking lead to quality improvement in various areas at the operational level within the SACCO such as customer satisfaction, process management and process efficiency and process improvement.

The study also found that benchmarking alone is not sufficient – the SACCO also needs vision, energy and teamwork to increase its performance after a benchmarking activity, benchmarking enables the SACCO to identify the key processes that need improvement, and to search for applicable solutions from the best in class, benchmarking activities

developed for SACCOs must be specific to the environment and constraints of these organizations if the implementation of the practices identified by such activities is to succeed and result in increased performance. Benchmarking at the SACCO facilitates learning and understanding of the organization and its processes, greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively. Benchmarking answers the SACCO's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment, benchmarking allows the SACCOs to achieve continuous improvement by quickly signaling deterioration in its competitiveness or identifying areas that need to be adjusted and knowledge generated by researchers during benchmarking allows SACCOs, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities.

On the extent that the SACCOs experience various obstacles in a bid to benchmark its activities, the study found that they experience the obstacle of insufficient financial resources to allocate to benchmarking and lack of time or resources to allocate to the exercise. Of all the five independent variables, financial benchmarking had the highest relationship with the Sacco performance followed by product benchmarking and operational benchmarking. Process benchmarking had the weakest relationship with the performance, while Strategic benchmarking came fourth.

5.3 Conclusions

From the findings of this study and the summary, the study concludes that benchmarking is used at the SACCOs as an incremental continuous improvement tool. SACCOs apply

implementation of significantly better practices, careful study of own practices and performance, development of recommendations, analysis of results and a thorough search to identify best-practice-organizations.

The study also concludes that SACCOS apply benchmarking strategies such as internal benchmarking (benchmarking against internal operations or standards) and operational benchmarking and industry (or competitive) benchmarking (benchmarking against other companies in the same industry) and process (or generic) benchmarking (benchmarking generic processes). The factors that contribute to the successful implementation of benchmarking at the SACCOs were such as, being composed of interested motivated people and identification of targets in advance, being tied to the SACCO's overall strategic objectives , setting realistic timetables, understanding the processes behind the data and picking the correct business partners and allies.

The study further concludes that benchmarking enhance the overall business performance realized by the SACCO by helping to change internal paradigms and “see out of the box”, creating awareness of industry good practices and supports the quest for a competitive position, determines authentic measures of productivity and enhance high payoff in terms of quality and customer satisfaction, provides an insight into prevailing business performance and helps in the implementation of change. Benchmarking help in improving the various financial performance measures of profitability at the SACCOs such as revenue growth and also operating profit margin. Benchmarking also lead to quality improvement in customer satisfaction, process management and process efficiency.

The study also concludes that SACCOs experience obstacles of insufficient financial resources to allocate to benchmarking and lack of time or resources to allocate to the exercise. The study finally concludes that financial benchmarking had the highest relationship with the Sacco performance.

5.4 Recommendations

This study therefore recommends that in order to succeed in its benchmarking activities, the SCACCOS should be vigilant in order to adapt to the changes in the external environment. Since benchmarking alone is not sufficient, the SACCOs also need vision, energy and teamwork to increase its performance after a benchmarking activity. This would enable them to identify the key processes that need improvement and to search for applicable solutions from the best in class.

For optimal performance to be realized by the SACCO, activities developed for SACCOs must be specific to the environment and constraints of these organizations should be solved. Greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively.

5.5 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were:

Some respondents refused to fill in the questionnaires. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations. Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information. Time was also a major concern due to official duties.

5.6 Suggestion for Further Studies

The researcher suggests that further study should be done on the effect of benchmarking on performance in all the SACCOs in Kenya in order to allow generalization of results.

A study can also be done in other institutions such as MFIs, Banks and Insurance companies so as to provide information on them since each institution has a different strategic approach.

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Appendix I: Questionnaire

SECTION A: BIO DATA

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

1. Gender
 - Male
 - Female:

2. What is your age?
 - 18-25
 - 26-35
 - 36-45
 - 46 and above

3. Level of education
 - Primary Level
 - 'O' Level
 - Certificate/Diploma
 - Graduate
 - Postgraduate

4. How long have you worked at the SACCO?
 - Less than 5 years
 - Between 5 and 10 years
 - More than 10 years

5. What position do you hold in the organization?
 - Head of Department

- Assistant Manager []
- Supervisor []
- Staff Member []

SECTION B: BENCHMARKING PRACTICES

6. In what ways do you use Benchmarking at your SACCO?

As an incremental continuous improvement tool []

For major changes of process re-engineering []

7. To what extent does your SACCO apply the following benchmarking practices?

Practices	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
A thorough search to identify best-practice-organisations					
Careful study of own practices and performance					
Systematic site visits and interviews					
Analysis of results					
Development of recommendations					
Implementation of significantly better practices					

8. What is the extent to which you apply the following benchmarking strategies at your SACCO? Use a scale of 1-5 where 1 = to a very great extent and 5 = not at all.

Benchmarking strategy	1	2	3	4	5
Internal benchmarking (benchmarking against internal operations or standards)					
Industry (or competitive) benchmarking (benchmarking against other companies in the same industry)					
Process (or generic) benchmarking (benchmarking generic processes against best operations or leaders in any industry)					
Strategic benchmarking (Proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment)					
Futures benchmarking (looks at technologies associated with business processes and uses forecasting techniques to determine what breakthroughs exist among these technologies)					
Product benchmarking					
Financial benchmarking					
Operational benchmarking					

9. To what extent do the following contribute to the successful implementation of benchmarking at the SACCO?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Being tied to the SACCO's overall strategic objectives					
Being composed of interested motivated people					
Focus on relevant work-group-level issues					
Set realistic timetables					
Picking the correct business partners and allies					
Following proper protocol					
Collecting manageable bodies of data					
Understanding the processes behind the data					
Identify targets in advance.					

10. What tools and metrics are used to support effective benchmarking process at your SACCO?

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SECTION C: RELATIONSHIP BETWEEN BENCHMARKING AND PERFORMANCE

11. To what extent are the following benefits of benchmarking enhance the overall business performance realized by your SACCO?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Team building					
Organisational 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 based 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 good practices					
Supports the quest for a competitive position					

12. To what extent has benchmarking helped in improving the following financial performance measures of profitability at your SACCO?

Measures of profitability	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Gross profit margin					
Revenue growth					
Operating margin					
Net profit margin					
Return on capital employed (ROCE).					
Net firm income from operations					
Rate of return on assets					

Rate of return on equity					
Operating profit margin					

13. What is the extent to which benchmarking lead to improvement in the following areas at the operational level within the SACCO?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Flexibility					
Integration					
Reduced costs					
Customer satisfaction					
Process improvement					
Assessing and improving training functions					
Quality improvement					
Quality planning					
Process management					
Process efficiency					
Human resource development					

Leadership effectiveness					
Customer retention and growth					
Product and service innovation					
Brand image and reputation					

14. What is your level of agreement with the following statements that relate to the relationship between benchmarking and performance? Use a scale of 1-5 where 1= strongly agree while 5= strongly disagree.

Statement	1	2	3	4	5
Knowledge generated by researchers during benchmarking allows SACCOS, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities.					
Greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to SACCOs if these practices are to be adopted effectively.					
Benchmarking activities developed for SACCOs must be specific to the environment and constraints of these organisations if the implementation of the practices identified by such activities is to succeed and result in increased performance.					
Benchmarking answers the SACCO's need to improve its quality, profitability and competitiveness brought about by rapid and important					

changes in the business environment					
Benchmarking allows the SACCO to achieve continuous improvement by quickly signalling deterioration in its competitiveness or identifying areas that need to be adjusted					
Benchmarking at the SACCO facilitates learning and understanding of the organisation and its processes.					
Benchmarking enables the SACCO to identify the key processes that need improvement, and to search for applicable solutions from the best in class					
Benchmarking alone is not sufficient – the SACCO also needs vision, energy and teamwork to increase its performance after a benchmarking activity					

15. To what extent does your SACCO experience these obstacles in a bid to benchmark its activities?

Obstacles	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Lack of management commitment					
Focusing on metrics rather than processes					

Lack of follow-up to the benchmarking process					
Insufficient financial resources to allocate to benchmarking					
Insufficient human resources to allocate to benchmarking					
Owner-managers refusal to divulge strategic information					
Owner-managers not aware of the need for and the potential benefits of benchmarking					
Lack of time or resources allocated to the exercise					
Greater environmental uncertainty in the SACCOS					
Any other (please specify)					