BOARD PERFORMANCE MEASUREMENT PRACTICES AND PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN MOMBASA COUNTY

BY

KIAI JOANNE CHERUTO

A RESEARCH PROJECT SUBMITTED IN THE PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2015

DECLARATION

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

Signed..Date……………………

Kiai Joanne Cheruto

D61/76445/2012

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

Signed..Date……………………

Dr. Jackson K. Maalu

Lecturer, School of Business

University of Nairobi.

DEDICATION

This research project is dedicated to my family Abraham and Margaret Kiai, Eric Kiai and Sylvia Kiai, who have been my source of encouragement and great support and to all who love and value education.

ACKNOWLEDGEMENTS

I am grateful to God for giving me the grace and strength to complete this project. My sincere gratitude goes to my supervisor Dr. Jackson Maalu and Dr. Zack Awino whose consistent guidance and encouragement enabled me to successfully do this research project. I am also indebted to my family and friends for their patience, understanding and all the encouragement they gave me when I needed it most. God bless you all.

TABLE OF CONTENTS

ABSTRACT

Performance of the board of directors of organizations has been of great concern in the business world today as we have lately had instances of corporate failures and company closures due to the lack of mechanisms to check on the activities and performance of BOD whose role is to oversee and maximize investors' resources. SACCOs have in the recent past been faced with governance issues that have led to misappropriation of funds and even collapse. Therefore, due to greater need for accountability by shareholders, government entities and general public, the management boards have to evaluate their performance so that it aligns with the organizations performance in enhancing profitability, membership growth, asset and investment increase. Several studies have been conducted to show the impact of performance measurement system on profitability of SACCOs, none has specifically shown how the board performance measurement practices impact on the financial performance of SACCOs in Kenya. A descriptive survey study was conducted to gain empirical data to help fill the existing gap. The study consisted of a census of 7 managing directors of deposit taking SACCOs in Mombasa County, Kenya. Data was collected through structured questionnaires. Data obtained were edited, coded and analyzed using descriptive statistics in the form of frequency, percentages, mean and standard deviation with the aid of statistical package for social sciences (SPSS) version 20 computer software. The inferential relationship was imputed using the Pearson's regression analysis. The findings showed that deposit taking organizations have adopted some of the performance measurement practices to appreciable levels. It has been seen that these practices have had a positive impact on the financial performance of the SACCOs. For example there has been a positive increase in the net surplus and assets of the organizations. It is therefore recommended that the Board of Directors reviewing their policies to include inculcation of these practices in their periodic performance this will enhance their individual responsibility and also as the management board. Similarly, this will enhance the level of transparency and accountability among BOD of SACCOs.

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

ADM -	Annual Delegates Meeting
BOD -	Board of Directors
CEO -	Chief Executive Officer
CIMA-	Chartered Institute of Management Accountants
ICA -	International Co-operative Alliance
KUSCCO-	Kenya Union of Savings and Credit Co-operative
NFP -	Non Financial Performance
OECD -	Organization for Economic Co-operation and Development
PMS -	Performance Measurement System
SACCO-	Savings and Credit Co-operative
SASRA-	SACCO Societies Regulatory Authority

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

Good governance is one of the pillars of successful organizations. Good governance is attributed by the quality of leadership, objectives, processes and resources that are available to an organization. Good governance is achieved when good corporate governance practices are inculcated into the structures of the organization. According to OECD (1999), corporate governance is defined as 'A set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently. In order to attain the set objectives, there is a critical role played by the board of directors (BOD) in providing direction to the organization. The boards of directors have been entrusted as agents of the shareholders to maximize their wealth/investments in the firm. Therefore it is critical that as they pursue to maximize shareholders wealth, that they are responsible for good governance, efficient resource utilization, performance monitoring and evaluation.

The study is accorded on the agency theory. Agency is the relationship between the owners and the management (Jensen and Meckling, 1976). The theory explains the relationship between the principals and agents and it suggests that a fundamental problem for a distant owner who employs a professional to act on his behalf will incur agency costs. The agent is also assumed to likely be self-interested rather than serve the shareholders interest. According to Davis et al. (1997), in advancing the stewardship theory, a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized. In this perspective, stewards are managers working to protect and make profits for the shareholders. Therefore, stewardship theory emphasizes on the role of management being as stewards, integrating their goals as part of the organization (Davis et al., 1997).

Co-operative societies in Kenya are managed by a Board of Directors that is elected by members during an Annual Delegates Meeting to oversee the implementation of policies within the society. The International Co-operative Alliance (ICA) defines co-operatives as “autonomous association(s) of persons united voluntary to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise” co-operatives are established to collectively cater to the needs of individual members spanning from credit, sale of produce, housing etc. It is stipulated as per the Revised Sacco Societies Act of 2008 (Cap490B) of the laws of Kenya, that “No person shall carry out deposit-taking business within the meaning of this Act, unless such person is a Sacco society registered under the Co-operative Societies Act, 1997 No. 12 of 1997 and holds a valid license issued under this Act.” Following the enactment of this law, SACCOS in Mombasa county that were operating deposit taking activities registered with the SACCO regulator SASRA. As per a notice, circulated by SASRA for the period ending 2014, Mombasa County had seven registered deposit taking SACCOs.

1.1.1 Board Performance Measurement Practices

Board performance measurement is the process in which management boards undertake to evaluate their performance with regard to their role as the strategic leaders of an organization. Board of directors are ultimately accountable for policies, practices, and procedures that will determine whether the organization prosper or collapse. Regular and timely evaluation of the board performance is critical to ensure that they are not only serving their interests but the shareholders interest at large. Due to greater need for accountability by shareholders, government entities and general public, the management boards have to evaluate their performance so that it aligns with the organizations performance (Cropp, 1996).

According to CIMA report, (2003) on performance reporting to Boards, after the collapse of Enron, many organizations focused exclusively on the responsibilities of directors and the structure of the board. This is so since many organizations depend on the effectiveness of its board's decision making processes. But for boards to make the right decisions, directors must base them on good quality, timely information on how their businesses are performing. The Board of Directors of any organization is responsible for the operational, strategic and financial performance as well as its conduct. Boards exercise their responsibilities by clearly setting out the policy guidelines within which they expect the management to operate. They will set out the short-term and long-term objectives of the organization and a system for ensuring that the management acts in accordance with these directions. They will also put procedures in place for measuring progress towards corporate objectives.

In a study conducted by Srimai, Radford and Wright, (2011) on the evolutionary paths of performance management, "…Associated with the phenomena of hyper-uncertainty, rising capacity around the globe brought competitive intensity that increased executive concern over decision-making risks. This made long-range planning and strategic issues of critical importance (Ittner and Larcker, 2001). As a result, management tools and practices became more strategic. Performance measurement designed in this period shifted from an operations/functional level to a focus on strategic sustaining competitive advantage. Particular performance measurement systems have evolved through diverse philosophies, even though they seem to have emerged from the operations arena with the explicit aim of continuous improvement. Several performance measurement innovations generated after the 1980s were sought to provide a set of measures towards the more strategic, which better suited the emerging post-industrial era. Not only non-performance measures were considered, but also the quality of financial measures was examined (Ittner and Larcker, 1998)." Therefore there has been an increased strategic focus on performance measurement by the Board of Directors of the organization, thus more emphasis on new innovations and practices on ensuring that their performance and that of the organization are measured.

Board Performance measurement plays an important role in identifying and tracking progress against organizational goals, identifying opportunities for improvement and comparing performance against both internal and external standards. According to (Merna& Faisal, 2008) there should be a clear division of the responsibilities at the head of the company which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. This suggests that there should be an interrelationship between the management performance and BOD performance. According to studies conducted by (Bragat& Black, 1999;Platt and Platt,2012; O'Connel and Cramer,2010) on corporate governance trying to find out the relationship between the structure of the board and profitability of the organization that concluded an increased organizational performance was observed with proper goal and performance measurement by the board.

1.1.2 Savings and Credit Co-operative Societies in Kenya

The first co-operative society in Kenya was Lumbwa cooperative society (Bottleberge & Agevi, 2010). In 1908, the European Farmers made this co-operative formal. Its main objective was marketing and purchasing of farm inputs. According to KUSCCO report of 2011, co-operatives in Kenya have led to the development in agriculture, storage, housing, fishing and credit. The Ministry of Co-operative Development and Marketing (MCDM) conference report of 2010 indicates that there are currently over 5200 registered SACCOs with over 5.6 million registered members in Kenya. Kenya has been observed to have the best managed Co-operatives and a leader in terms of membership, number of societies and saving mobilization in Africa (Mutunga, 2009). SACCOs have tremendously transformed the lives of the low income earning group in the Kenyan economy whereby they have managed to save and access credit facilities which was only available to the middle and high income earners through the commercial banks. Proper governance is a challenge whereby many corporations have collapsed due to non-adherence to corporate governance and this has not spared the co-operative movement. Co-operatives that have collapsed in Kenya due to bad governance include Kenya Co-operative Creameries, Kenya Planters Cooperative Union and Teachers of Nairobi (Onchangwa & Memba, 2012)

The Board of Directors is responsible for formulation and implementation of policies in line with the SACCO Societies Act and is elected during the Annual Delegates Meeting. The Board of Directors further form different committees to tackle the various issues as investment, education and training, policy formulation etc. they are able to undertake their mandate by employing professionally qualified staff who will carry out the day to day activities within the organization (Odera, 2012). Control in management of co-operatives is in the hands of the general meeting of members in which each member has a right to attend and vote. Since the Board of Directors is in charge of the SACCO management then there should be a measure of how they have performed their role and the respective parameters that are in place to measure their performance. The Board of Directors therefore acts as agents of the shareholders to ensure that their investments are properly invested in line with the goals of the society. Agency conflict may arise whereby the BOD may pursue their self-interests at the expense of the shareholders. Therefore it is important to separate ownership and management as the BOD is also shareholders in the society thus the need of a corporate governance framework (Mugenyi, 2010). Corporate governance framework ensures that the organization is there to serve and how the purposes and priorities of the organization should be decided. This concerns how an organization should function and the distribution of power among different stakeholders (Gerry, Scholes & Whittington, 2005)

1.2 Research Problem

Board performance measurement is the process in which management boards undertake to evaluate their performance with regard to their role as the strategic leaders of an organization. Board of directors are ultimately accountable for policies, practices, and procedures that will determine whether the organization prosper or collapse. Regular and timely evaluation of the board performance is critical to ensure that they are not only serving their interests but the shareholders interest at large. Due to greater need for accountability by shareholders, government entities and general public, the management boards have to evaluate their performance so that it aligns with the organizations performance (Cropp, 1996).

SACCOs unlike other corporations have been face by issues of misappropriation of funds, corruption, and political interference and management issues. These have occurred due to the lack of clear distinct roles and responsibilities of the management and BOD, unqualified candidates as BOD and unqualified personnel, limiting the performance of the BOD. The absence of independent board members, unskilled supervisory committee members, uncompetitive employee recruitment and the absence of a code of regulation to define financial reporting format, content frequency in SACCOs as it happens with commercial banks and quoted companies compounds the corporate governance problem in SACCOs (Sigowo, 2009). Board of directors in SACCOs is elected by delegates elected from the membership base. They are the apex decision making body and this leads to less scrutiny of their decisions thus their performance is hardly measured. This is also due to the fact that they are not salaried employees of the SACCO thus they may feel as if they are offering a free service and will not want their decisions questioned.

Similar studies in the area of performance measurement have been done in the past; on performance measurement systems in the banking sector Kioko (2011); Masaba (2005). The researchers established that performance measurement system that is well coordinated and evaluated lead to improved organizational performance. A study conducted by Mululu (2005), whereby the researcher established that board operations and adherence to prudential business guidelines affected the performance of the organization. Another study by Mwololo (2011), the researcher was establishing how corporate governance affects firm performance and his findings were that corporate governance elements have an impact on organizational performance and that better organizational performance is achieved if governance disclosures are not only for the purpose of complying with statutory requirement but improving organization as a whole.

Performance measurement systems are important for monitoring the activities of the employees or management of any organization. Few studies have been done on performance measurement practices of the Board of Directors in the SACCO industry, therefore this research study seeks to determine the practices in place to measure board performance. There are few studies on performance measurement practice and this research therefore seeks to establish the relationship between board performance measurement practices and the organization's overall performance.

1.3 Research Objectives

The study objectives were:

i. To establish Board performance measurement practices in SACCOs

ii. To determine the relationship between the Board Performance Measurement Practices

and the performance of SACCOs

1.4 Value of the Study

The research can be used by policy makers in various government institutions in deriving policies that ensure good governance practices and business ethics are translated to organizational increased performance and protection of shareholders and consumer's wealth and resources.

The study will benefit board of directors as they will be able to identify the various ways in which they could measure their performance in relation to the organization's performance. By ranking the practices then they are able to identify which model most enhances the organization's performance. It will also guide the management board in establishing efficient performance measurement practices that will guide their achievement in strategy formulation and implementation. Sacco members as shareholders will benefit as they will be able to take board of directors to account for their activities and operations whilst in office and also evaluate the performance of the board of directors in relation to the organization's performance and this will guide their decision making process on investments.

This study will contribute to the existing body of knowledge and it shall form the basis for further research in board performance measurement practices and the wider corporate governance issues in organizations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviews the available literature on board performance measurement and performance measurement practices. Further literature on the relevant theories in corporate governance and performance measurement, empirical studies board performance measurement practices.

2.2 Theoretical foundation on Performance Measurement Practices

The study seeks to determine the relationship between board performance measurement practices and the performance of deposit taking SACCOs in Mombasa County, it was based on agency theory, stewardship theory, stakeholder theory and resource based theory.

2.2.1 Agency Theory

According to (Jensen and Meckling, 1976), agency is the relationship between the owners (principals) and the management (agents). The theory suggests that fundamental problems for absent/distant owner or shareholder who employs a professional executive to act on his behalf assuming that agent is likely to be self-interested therefore serving their interest rather than the shareholders. To counter such problems the principal will have to incur ‘agency costs’. The assumptions of agency cost has been the subject of extensive empirical research but this has typically relied on the testing of various propositions in relation to large data sets (Amadi, 2014)

The agency theorists have dealt more with exploring the effectiveness of various mechanisms designed to make executives self-interest serve shareholders interest. Agency theory assumptions have nevertheless been highly influential in shaping the reform of corporate governance systems. The first is the market for corporate control, the potential for takeovers to discipline executives by providing the mechanism whereby ineffective executive teams are replaced by effective more executive teams. The second is the managerial labor market operates at an individual level; poor executive performance will threaten an individual's future employment potential whilst good performance will have positive reputational and hence career enhancing effects (Jensen and Meckling, 1976)

According to (Whincorp, 2005), the boards of directors have an agency relationship with its stakeholders as they have been charged with the responsibility of ensuring that their principal's interests have been maximized. On the contrary an agent may not necessarily make decisions on the best interests of the principal (Padilla, 2002). The management board has to be motivated to act in the capacity by being compensated in order to increase their performance. An agent must be motivated and monitored to create wealth; this portrays the agent as potentially fraudulent (Arthur and Busenitz, 2003)

2.2.2 Stewardship Theory

According to (Davis, Schoorman & Donaldson (1997) as "a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized". The management board of SACCOs acts as stewards for the shareholders and ensure that the firms are highly performing and profitable. The stewardship perspective suggests that stewards are satisfied and motivated when organization success is achieved unlike the agency theory that stresses on individualism (Donaldson and Davis, 1991)

Agyris (1973) argues agency theory looks at an employee or people as an economic being, which suppresses an individual's own aspirations. However, stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust (Donaldson and Davis, 1991). It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling behaviors (Davis, Schoorman& Donaldson, 1997).

Moreover, stewardship theory suggests unifying the role of the CEO and the chairman so as to reduce agency costs and to have greater role as stewards in the organization. It was evident that there would be better safeguarding of the interest of the shareholders. It was empirically found that the returns have improved by having both these theories combined rather than separated (Donaldson and Davis, 1991).

2.2.3 Stakeholders Theory

Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. Wheeler et al, (2002) argued that stakeholder theory derived from a combination of the sociological and organizational disciplines. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science.

Stakeholder can be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives".

Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners. According to Stakeholders' view it is argued that it is hard to operationalize because of the difficulty of decisioning that weight should be given to different stakeholders' interests. On corporate governance, were the executives made accountable to all of a company's stakeholders, they would in effect be answerable to none. An enlightened stakeholder theory therefore suggests practical accountability to shareholders even if a board takes other interests into account in its conduct of the firm (Amadi, 2014)

And it was argued that this group of network is important other than owner-manager-employee relationship as in agency theory (Freeman, 1999). On the other end, Sundaram&Inkpen (2004) contend that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention. Whilst, Donaldson & Preston (1995) claimed that all groups participate in a business to obtain benefits.

Nevertheless, Clarkson (1995) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders.

Freeman (1984) contends that the network of relationships with many groups can affect

Decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders. Donaldson & Preston (1995) argued that this theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others.

According to Amadi (2014), Kaplan and Norton (1992) acknowledged the power of measurement on performance and the potential distortions on operational effectiveness that can arise from purely financial accounting measures like the earning per share and return on investment. In relation to company performance stakeholder theory has made a number of key contributions. The recent profusion in business ethics can be traced to stakeholder ideas. Excessive level of executive pay and the way these have often gone hand in hand with company downsizing undermine the legitimacy of the demand for shareholder value. Corporate failures and associated pension fund collapses threaten both the basis of traditional psychological contract as well as the license to operate that underpins the privileges offered by society to corporate entities. Globalization has also brought with it use of child labour, environmental damages and corruption. These might formerly have remained hidden from sight. The importance that is now given to corporate value statements, corporate ethics codes, social reporting reflects an acknowledgement of a wider set of corporate obligations beyond the delivery of shareholder values.

2.2.4 Resource Based Theory

The resource dependence view states that organizations act in ways associated with their level of dependence upon various resources (Pfeffer and Salancik, 1978). Organizations act upon their environments in attempts to reduce dependency on certain resources and to maintain independence over other resources. Organizational power, from this perspective, arises from the ability to cope with uncertainty and minimize uncertainty for other organizations, the control over scarce resources, and the substitutability of the controlled resources (Pfeffer and Salancik, 1978). With this perspective, the BOD can bring together an executive management team, knowledge and information that reduces uncertainty and adds power to the organization.

Whilst, the stakeholder theory focuses on relationships with many groups for individual benefits, resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm. Hillman, Canella and Paetzold (2000) contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. Indeed, Johnson et al, (1996) concurs that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. For example, outside directors who are partners to a law firm provide legal advice, either in board meetings or in private communication with the firm executives that may otherwise be more costly for the firm to secure. It has been argued that the provision of resources enhances organizational functioning, firm's performance and its survival (Daily et al, 2003).

According to Hillman, Canella and Paetzold (2000) that directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Directors can be classified into four categories of insiders, business experts, support specialists and community influential. First, the insiders are current and former executives of the firm and they provide expertise in specific areas such as finance and law on the firm itself as well as general strategy and direction. Second, the business experts are current, former senior executives and directors of other large for-profit firms and they provide expertise on business strategy, decision making and problem solving. Third, the support specialists are the lawyers, bankers, insurance company representatives and public relations experts, these specialists provide support in their individual specialized field. Finally, the community influential are the political leaders, university faculty, members of clergy, leaders of social or community organizations.

2.3 Empirical literature on Board Performance Measurement and Organizational Performance

Over the recent years there has been an increasing interest in measurement of firm's performance in relation to how the board of directors is performing. There has been an increasing trend financial disasters internationally for example Enron, Swissair, Citibank which revealed that the board of directors often do not have specific industry expertise, nor contact with shareholders, nor other critical stakeholder groups to support ambitious long term value creation or pick up the development of risk before it's too late.

In a research study conducted by (Rodriguez, Fernandez, Rodriguez, 2014) on Board characteristics and firm performance in Spain, the researchers aimed to investigate the relationship between internal governance structure and financial performance of listed Spanish companies. The effectiveness of the board of directors is analyzed through the use of different variables: size, composition, duality, number of annual meetings and busyness of the directors. The conclusion of the study was that there was a negative relationship between the numbers of board of directors' meetings and the firm performance. As seen in their study a high number of meetings do not guarantee a higher level of profitability.

Srimai, Radford, Wright (2011) on their study on the evolutionary paths of performance measurement, noted that there is an evolution flow from the 1980s from operational to strategic, measurement to management, static to dynamic and shareholder values to stakeholder focuses. This flow represents a change and shift in competitive, social, environmental, organizational and environmental factors. Therefore due to these shifts, management are forced to develop new innovations in performance measurement so as to match up with the rapidly changing situations.

Through a study conducted by (Ndungo, 2014) on the effects of corporate governance on information asymmetry between managers and investors in firms listed in Nairobi securities exchange, it is evident that the role of corporate governance is to align the interests of managers with those of shareholders through appropriate bonding and monitoring. In particular, board of directors, elected by shareholders, is charged with evaluating and disciplining the management team. Within their fiduciary duty to shareholders, directors have governance responsibility to ensure greater transparency when it is the shareholders interest. Since shareholders, in general, are outsiders who are at information disadvantage about the company, corporate governance principle demand an effective and representative board of directors that may be able to move the managers towards disclosing more information to market participants and in effect eliminating market anomalies.

Amadi (2014),on his study on the relationship between corporate governance and the performance of state owned commercial enterprises in Kenya, found that there is a positive relationship between the performance of these organizations and how corporate governance has been entrenched in its operations. The researcher calls for further attention to be paid on the demographic characteristics of the Board of Directors, their experience and the type of behavior that they portray. The researcher further concludes that the quality of information received by the board in terms of context and the time determines their effectiveness and quality of board decisions.

The relationship between corporate governance and financial performance of SACCOs with front office service activity in Nairobi, was further researched on by Mwololo (2011) whereby the researcher examined the various board variables as board composition, board meeting, board appointments, shareholders rights and management disclosures and transparency as affecting how boards operate and how these will greatly affect the operations of an organization.

The various studies therefore indicate that there is a greater need for board of directors to critically assess and monitor their performance Vis a Vis the organization's performance in line with their objectives, processes, stakeholder relations and the business environment as a whole. As corporate governance principle management boards have a responsibility of ensuring proper utilization of assets, accountability and monitoring of firm's performance to ensure maximum yield of shareholders wealth. Integration of performance measurement practices of all stakeholders would yield to greater performance of the organization.

2.4 Board Performance Measurement Practices

There are various practices and systems that can be used to measure the performance of management boards of SACCOs. These practices are discussed below;

A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results Gathai (2012). It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore a management tool for ensuring accountability for results by public officials, because it measures the extent to which they achieve targeted results (Greer *et al*., 1999).

OECD (1999) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution. This is an evaluation system that ensures improvement of performance, accountability and transparency in service delivery by the management boards of SACCOs. With defining the responsibilities and expectations of the management board, then it provides a framework of generating desired results which can be monitored and measured.

A peer assessment is a mode of evaluation whereby individuals in a similar group undertake to evaluate themselves. It is a good practice of the board to carry out self-evaluations. There are two types of board evaluation; one a board can carry out an evaluation as a group and the other is an evaluation of each member of the board. A board will appoint a committee who will be in charge of developing the evaluation instruments. A board evaluation can help identify how the board will improve the efficiency and effectiveness of its decision making process (Boland and Hofstrand, 2009)

Independent evaluation is the use of independent consultants to evaluate the performance of the boards. An outside consultant may be particularly useful if a board has never evaluated its performance before. The consultant can provide some objective criteria, offer a perspective on the organization board standards, and can help the board set up criteria on which to base their future evaluation (Cropp, 1996)

Industry regulators indicators are the financial indicators that are reported to the regulators on a periodic basis. Financial performance measures includes net incomes, net profits/losses, return on equity, return on investment etc. these are accounting based performance measures that are precise, timely and accurate and will guide the Board of directors in focusing on areas that require increased effort and enhanced decision making, (Merchant &Van darStede, 2007). Accounting indicators such as profit and loss statements, cash flow statements, and balance sheets are perfect indicators of a firm's value and value changes. Thus on a general overview they give a firm's expected performance of the board of directors.

Board meetings and resolutions are also used to determine the performance of board of directors. This is with regard to their frequency and quality of the board meetings resolutions. Effective boards meeting once or bi-quarterly to make informed decisions and review the organizational performance over a period of time. Non-Executive directors and Executive directors should accompany senior level management to meetings and conferences whereby they will provide short report to the board meeting and this will enhance their accountability and will add an element of peer pressure to the process (Reynolds, 2012). Frequent engagements by board of directors enhance an element of accountability, transparency and an atmosphere of efficiency.

Board Chairman can be used to assess the performance of the board. The role of the board chairman is to set tone and direction of the management board as well as its performance culture. A board chairman creates an appropriate environment for full engagement by all board members, drawing out options and shaping discussions on sensitive issues. Beyond the board and committee meetings, effective board chairmen spend time with Non-Executive Directors as frequently as every quarter to ensure issues are discussed, performance is assessed and timely and effective contributions are encouraged. (Reynolds, 2012)

2.5 Summary of Literature Review and Research Gap

According to the discussions, there are various theories that have been propagated towards performance measurement of board of directors in organizations. Good management and growth is achieved when the agents (Board of directors) ensure that they are performing to the expectations of the organization's shareholders. As gathered from various research studies conducted on performance measurement, board of directors are expected to uphold their fiduciary responsibility to shareholders.

The Board of Directors has to ensure that their performance is satisfactory to the shareholders and that those parameters are set to measure their performance against the overall performance of the organization. Therefore, the study undertakes to identify the tools that have been used by SACCOs and further comparison of the performance of the management board to the performance of the organization.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter gives the direction in which the researcher followed in getting answers to the research questions. In this chapter the researcher discussed the research methodology that was used in conducting the study. This includes the research design that was used, the population target, and data collection procedure, operationalization of the research variables and data analysis techniques.

3.2 Research Design

A descriptive survey research design was employed in the study. The research design was used to investigate the board performance practices of deposit taking SACCOs in relation to the overall organizational performance. Descriptive research survey is conclusive in nature. This means that descriptive research gathers quantifiable information that can be used for statistical inference on your target audience through data analysis. However, used properly it can help an organization better define and measure the significance of something about a group of respondents and the population they represent.

3.3 Population of the Study

The target population for the study was all the deposit taking SACCOs in Mombasa County. According to the statistics obtained from SASRA website, as per notice circulated for the year ended 2014, there are 7 SACCOs in Mombasa County that have been licensed to operate deposit taking activity (appendix 1). Since the size of the population was small, the researcher undertook a census inquiry in order to obtain high accuracy.

3.4 Data Collection

The study used both primary and secondary data. Primary data was collected using questionnaires in order to get the specific information for the study. The questionnaires were designed as per the research objectives and were administered by the drop and pick method. The questionnaire included structured questions. The questionnaire had three sections; general information on the organization and respondent, the second section had questions on performance measurement practices adopted by board of directors in the firms and the third section comprised of questions aimed at determining organizations performance indicators. Secondary data will be collected from the companies' reports and publications. The questionnaires were administered to chief executive officers who were the target respondents.

3.5 Data Analysis

The questionnaires collected were checked for accuracy, consistency and completeness. Thereafter the data was edited, coded, classified and tabulated for ease of interpretation and further analysis.

The study intended to establish the relationship between board performance measurement practices and the organizational performance therefore a correlation and regression model was used to determine the nature of this relationship.

The dependent variable of the study was the organization's performance which included data obtained from the company reports for the periods 2010 to 2014; member deposits, member share capital, loan portfolio, financial investments, institutional capital, assets, cash reserves,, external debt, expenses and net surplus.

The relationship is modelled as follows

$$Y = b1x1 + b2x2 + b3x3+b4x4+b5x5+b6x6 + e$$

Where;

Y=organization performance

b1 ,b2 ,b3. represents coefficient/multipliers that describe the size of the effect the independent variables x, are having on the dependent variable y

X1= performance contract

X2= peer assessment

X3= independent evaluation

X4= industry regulators indicators

X5= board meetings and resolutions

X6= board chairman

e= error term

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents an analysis of data collected and discusses the findings on the relationship between board performance measurement practices and organization's overall performance. Research conclusion and recommendation are also presented at the end of this chapter.

4.2 Demographic Information

The respondents were asked to give a brief background about their gender, position they held in the organization, whether or not their organizations board had a policy that enhanced performance measurement and to what extent. The table below stated their results. Out of the 7 targeted respondents, 6 successfully filled the questionnaires. This represents a response rate 90%. This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and over is excellent.

4.2.1 Position of Respondent

The respondents were asked to illustrate their position in the SACCO. The purpose was to analyse the position held by the various respondents in the management of the organisation. Analysis as summarized in Table 4.1

Table 4.1: Position of Respondent

		Frequency	Valid Percent	Cumulative Percent
Valid	CEO	4	66.7	66.7
	Branch Manager	1	16.7	83.3
	Credit Officer	1	16.7	100.0
	Total	6	100.0	

Source: Research Data (2015)

According to the study above 66.75 were CEOs, while Branch managers and Credit Officers comprised of 16.7% out of the total number of respondents. This entails that in the SACCOs the top management has vital information on issues of performance measurements.

4.2.2 Level of Adherence to Policy

This was to find out whether the respondent firms used performance measurement policy manuals and to what extent. The purpose being to evaluate whether the firms adhere to policies laid out in the organisation to ensure performance is achieved effectively. Analysis was done according to strict and hardly strict. Findings are as outlined in Table 4.2.

Table 4.2: Level of Adherence to Policy

		Frequency	Valid Percent	Cumulative Percent
Valid		YES	6	100.0
Valid	Strict	4	66.7	66.7
	Quite Strict	1	16.7	83.3
	Hardly Strict	1	16.7	100.0
	Total	6	100.0	

Source: Research Data (2015)

The results show that out of the target of 7, the 6 firms that filled the questionnaires all practice performance measurement. 4 firms adhered to the policy strictly at a rate of 66.7% and the other 2 were slightly strict with a rate of 16.7%.This therefore indicates that the firms use performance measurement policy manuals in the organization.

4.3 Board Performance Measurement Practices

The study sought to find out if the board of directors were engaged in performance measurement contract. The respondent firms confirmed that they were and that that they reviewed them once every year. The study also sought to confirm if the board and subcommittee often conducted meetings. All the respondents confirmed that they did the meetings once every month. It was also of paramount importance to find out in this study if the records of the meetings were maintained to ensure consistency of the practice. The respondents ascertained that records were consistently maintained.

4.3.1 Circulation of Board Resolutions for Action

The respondents were asked to indicate how fast the records were circulated to the board for action. The purpose was to determine how the board responds to emerging issues in the organisation. A five Point Likert Scale was used with 1 indicating extremely fast and 5 Not Fast. Findings are as outlined in Table 4.3.

Table 4.3: Board Resolutions for Action

		Frequency	Valid Percent	Cumulative Percent
Valid	Extremely Fast	4	66.7	66.7
	Moderately Fast	2	33.3	100.0
	Total	6	100.0	

Source: Research Data (2015)

Majority of the respondents stated that the circulation was extremely first to a rate of 66.7% while the rest said it was moderate with 33.3%.This is an indication that once there is an urgent matter in the organization the board of management is highly involved in the decision making.

4.3.2 Chairman's Independent Recommendations

The study purported to find out to what extent the chairman’s Independent recommendations were implemented by the Board. The purpose was to find out the performance measurement practices recommended by the chairman of the board in the organisation. A Five point Likert scale was used with 1 indicating never and 5 always. Findings are as outlined in Table 4.4.

Table 4.4 Chairman’s Independent Recommendations

		Frequency	Valid Percent	Cumulative Percent
Valid	Never	2	33.3	33.3
	Hardly	2	33.3	66.7
	Quite often	2	33.3	100.0
	Total	6	100.0	

Source: Research Data (2015)

As shown in the table above there was a balance of the response from all the 6 respondents who confirmed that the recommendations were hardly, never and quite often implemented by the board. These rates were 33.3% respectively.

4.3.3 Directors Evaluate Performance

The study sought to understand the relationship between the performance measurement practice and organization’s overall performance, the respondents were asked to state if the directors evaluated each other. 4 respondents were on the affirmative at a rate of 66.7% while 2 were not sure. The Findings are as outlined in Table 4.5.

Table 4.5: Directors Evaluate Performance

		Frequency	Valid Percent	Cumulative Percent
Valid	Yes	4	66.7	66.7
	Not Sure	2	33.3	100.0
	Total	6	100.0	

Source: Research Data (2015)

4.3.4 Subcommittee Evaluate Board of Directors

The respondents were asked if there organization had a subcommittee that evaluated the Board of Directors. The purpose was to find whether the organisations are serious to ensure performance practices are implemented. Analysis are as outlined in Yes and No. Findings are as outlined in Table 4.6.

Table 4.6: Subcommittee Evaluate Board of Directors

		Frequency	Valid Percent	Cumulative Percent
Valid	Yes	2	33.3	33.3
	No	4	66.7	100.0
	Total	6	100.0	

Source: Research Data (2015)

Majority of the respondents to a rate of 66.7% confirmed that there organization had no subcommittee that evaluated their board compared to a rate of 33.3% which affirmed that the subcommittee existed.

4.3.5 Independent Consultant Evaluate Performance

The study sought to find out whether the firms have a consultant whom evaluates the performance of the firms. The consultation is key since the performance practices adopted will be evaluated to ensure they follow the right standards. Findings are as outlined in Table 4.7.

Table 4.7: Independent Consultant Evaluate Performance

		Frequency	Valid Percent	Cumulative Percent
Valid	Yes	4	66.7	66.7
	No	2	33.3	100.0
	Total	6	100.0	

Source: Research Data (2015)

The table above shows that 66.7% of the total respondent to the affirmative while 33.3 of the total said that their policy did not provide for an independent consultant for evaluation in the organization, with the response rate an independent consultant is highly paramount in the evaluation of the performance measurement in the organizations.

4.3.6 Level of Co - operation of BOD to independent consultants

For the organizations that confirmed existence of an independent consultant, it was paramount to establish the level of co-operation the board of directors accorded them. The BOD is paramount since it is a key organ to ensuring the firm performs according to standards. A Five point Likert Scale was used with 1 indicating extremely co-operative and 5 not co-operative. Findings are as outlined in Table 4.8.

Table 4.8: Level of Co - operation

		Frequency	Valid Percent	Cumulative Percent
Valid	Very Co - operative	4	66.7	66.7
	Co - operative	2	33.3	100.0
	Total	6	100.0	

Source: Research Data (2015)

In the table above 66.7% of the respondent agreed that the board of directors was very cooperative compared to 33.3% that confirmed they were just co - operative, overall this is an indication, the board of directors are co-operative to ensure performance in the organization.

4.4: Extent of implementation of Board Performance Measurement Practices

Similarly, the respondents were asked to indicate the extent to which the board performance measurement practices have been implemented. This was to determine to what degree the performance practices are implemented in the organisation. A Five point Likert Scale was used with 1 indicating very greatly and 5 not great. Findings are as outlined in the Table 4.9

4.9: Implementation of Board Performance Practices

Statement	**Mean**	**Standard Deviation**
use of performance contracts	2.67	1.033
Board meetings attendance	2.33	2.066
Implementation of board meeting resolutions	2.67	1.033
Board chairman’s report	2.33	2.066
Peer assessments	2.33	1.366
Independent evaluators	3.00	1.549
Industry regulators indicators	2.67	1.033

Source: Research Data (2015)

The practices that had the highest mean of 3 company policy confirmed that independent evaluators existed to evaluate the board. This was followed by three practices that had a tally of a mean of 2.67 and these were; use of performance indicators, implementation of board meeting resolutions and industry regulators indicators. Lastly, the practice of Board chairman's report, Board meetings and peer assessments had a tally mean score of 2.33.This is an indication that the firms have performance measurement practices in the organization.

4.4.1 Implementation of Reports

The study sought to determine the level of importance attached to implementation of the reports in the organization. These reports are key as they conclude and indicate the extent to which the performance practices have been implemented. A Point Likert scale was used with 1 indicating used and not at all. Findings are as outlined in Table 4.10.

Table 4.10: Implementation of Reports

Statements	**Mean**	**Standard deviation**
Chairman's report	1.00	0.00
Board Report	1.00	0.00
Independent evaluators report	2.00	0.00
Industry Regulator's report	1.00	0.00

Source: Research Data (2015)

All the respondents agreed that the independent evaluators report were very important with a mean of 2.00 compared to the other reports which all had a mean of 1 each. This is an indication that the reports are used to evaluate the performance in the organization.

4.5 Impact of BPMP on Organization's Performance Indicators

The opinions of the respondents were sought on what level the board performance measurement practices influenced some performance indicators of the organization. The BPMP are key to indicate the impact of the performance practices. A five point Likert scale was used with 1 indicating very great impact and 5 No impact at all. Findings are as outlined in Table 4.11.

Table 4.11: Impact of BPMP on Organizations Performance Indicators

Statement	**Mean**	**STD deviation**
Number of Sacco Members	1.00	0.00
Total Member Deposits	1.00	0.00
Member share Capital	1.33	0.516
Loan Portfolio	1.67	0.516
Financial Investment	2.00	1.549
Institutional Capital	2.00	1.549
Fixed Assets	2.33	0.516
Liquid Assets	1.67	1.033
Cash Reserves	1.67	1.033
Total Expenses	1.67	0.516
External Debt	1.67	0.516
Net Surplus	2.00	0.00

Source: Research Data (2015)

Out of the above performance indicators the respondents agreed that the indicator that was highly impacted by performance measurement practices in the organizations was Fixed Assets which had a mean of 2.33. This was followed by financial investments, institutional Capital and Net Surplus. These had a mean of 2 each. The same were followed by Loan Portfolio, liquid Assets, Cash Reserved and total Expenses with a mean of 1.67. Finally the respondents agreed that Number of Sacco Members the company had and Total member deposits had a mean of 1.

4.5.1 Best Performance Measurement Indicators

This was to find out the best performance indicators in the organizations. This will determine the most key crucial indicator of the performance practices. A five point Likert Scale was used with 1 indicating strongly agree and 1 strongly disagree. Findings are as outlined in Table 4.12.

Table 4.12: Best Performance Indicators

	Mean	Standard Deviation
Cost Efficiency	3.00	1.549
Cost effectiveness	3.33	1.366
Timeliness	2.67	1.366
Quality	2.33	2.066
Relevance	2.67	1.862

Source: Research Data (2015)

According to the study above the performance measurement indicators in achieving organizational performance are in order cost effectiveness 3.33, cost efficiency 3.00, timeliness 2.67, relevance 2.67 and lastly quality 2.33.This is an indication that the firms are concerned with the performance measurement and cost efficiency is top most indicator.

4.5.2 Level of awareness of BPMP by organization stakeholders

The study was to determine the level of awareness board performance practices in the organization. A Five Point Likert Scale was used with 1 indicating Very Aware and 5 not aware. Findings are as outlined in the Table 4.13.

Table 4.13 Awareness of BPMP by Stakeholders

	Mean	Standard Deviation
General Staff	1.00	0.00
Members/Shareholders	1.67	1.033
Suppliers	2.00	1.54
Financiers/bankers	1.67	1.033
Industry regulators	1.00	0.00

Source: Research Data (2015)

According to the study above stakeholders that are aware of board performance practices in the organization are in order of suppliers 2.00 followed by members/Shareholder and Financiers/bankers at 1.67 and lastly general staff and Industry regulators at 1.This is an indication that the stakeholders are involved to ensure that performance is achieved in the organization.

4.5.3 Impact on Board Performance Measurement Practices

The study sought to determine the level of impact of board performance measurement practices with regards felt by the organisations stakeholders. The purpose being to determine the extent to which the top management evaluates the performance practices in the firms. Findings are as outlined in Table 4.14.

Table 4.14 Impact of Board Performance Measurement Practices

Statement	Mean	Standard Deviation
BPMP is practical in the organisation	1.17	0.408
BPMP promotes transparency and accountability	1.17	0.408
BPMP enables board innovation	1.33	0.516
BPMP gives relevant feedback on ability of the BOD to execute its objectives	1.00	0.00
BPMP subjects the Board to negative scrutiny	1.67	1.033
BPMP is not cost sensitive	1.67	1.033

Source: Research Data (2015)

According to the study it is indicated BPMP is practical in the organisation which also promotes transparency and accountability mean 1.17, followed by its subjects the board to negative and is not cost sensitive, followed by it enables board innovation 1.33 and lastly it gives relevant feedback on ability of the BOD to execute its objectives

4.6 Relationship between BPMP and Organizational Overall Performance.

The regression analysis below outlines the relationship between Board performance measure practices and organizational overall performance within the SACCOs.

Table 4.15: Regression analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.400[a]	.160	.033	1.329	1.495

Source: Research Data (2015)

According to the table above it indicates that predictor variables only influenced 16% of variations in performance as indicated by the adjusted R square statistic 0.160. This meant that the model less than convincingly suitable for (less than the requisite threshold of about 60%-100% for a good fit) explaining the relationship between board performance measurement practices and organizations overall performance.

Table 4.16: Coefficient of Determination

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.577	2.229		2.950	.006		
	Peer assessment	.342	.516	.125	.663	.512	.720	1.389
	Independent evaluation	-.325	.383	-.279	-.849	.402	.236	4.236
	Industry regulators indicators	-.457	.271	-.317	-1.688	.101	.721	1.387
	Board meetings resolutions	-.338	.366	-.328	-.922	.363	.201	4.971
	Board chairman	-.051	.207	-.047	-.245	.808	.699	1.430
	Performance contract	-.325	.383	-.279	-.849	.402	.236	4.236

Table 4.14 depicts the numerical relationship between the independent variable and the predictor variables in the following resultant equation:

Performance = 6.577 + 0.342X1 - 0.325X2 – 0.457X3 -0.338X4 – 0.051X5 – 0.325X6

From the above established regression equation it was revealed that, peer assessment, independent evaluators, industry regulators, board meetings resolutions, board chairman reports and performance contracts to a constant zero, performance of SACCOs would stand at 6.577. When peer assessment increases by one unit, performance increases by 0.342 units, independent evaluation increases by one unit performance decreases by 0.325 units, industry regulators increases by one unit performance decreases by 0.457 units, board meetings resolutions increases by one unit performance decreases by 0.338 units, board chairman increases by one unit performance decreases by 0.051 units, performance contract increases by one unit performance decreases by 0.325 units. Basically there exists a positive relationship between peer assessments while the rest is negative.

At 5% level of significance and 95% level of confidence, board chairman reports showed 0.808 level of significance; peer assessments showed 0.512 level of significance; performance contacts and independent evaluators both showed 0.402 level of significance; board meeting resolutions showed 0.363 level of significance and industry regulator indicators showed 0.101 level of significance hence the most significant factor is the industry regulator indicators.

4.7 Discussion of Findings

There are various performance measurement practices adopted in the firms, which are use of performance contracts, board meetings attendance, board chairman’s report, peer assessment, independent evaluators and industry regulators indicators while the best performance indicators are in order cost effectiveness 3.33, cost efficiency 3.00, timeliness 2.67, relevance 2.67 and lastly quality 2.33.This is an indication that the firms are concerned with the performance measurement and cost efficiency is top most indicator.

In the model summary, adjusted R squared is coefficient of determination which tells us the variation in performance of the SACCOs is due to impact of these performance measurement practices; performance contracts, peer evaluation, board meetings resolution, board chairman reports, industry regulators indicators and independent evaluators. From the regression equation, the study revealed that there is a positive relationship between peer assessments and the overall performance of the SACCOs. The study shows that there is a negative relationship between board meeting resolutions, board chairman reports, performance contracts, industry indicators and independent evaluators and performance of SACCOs. The study revealed that a unit increase in peer assessments would lead to increase in performance of SACCOs whereas a unit increase in board meeting resolutions, board chairman reports, performance contracts, independent evaluators would lead to a decrease in performance of SACCOs.

The findings of the study are consistent with previous study conducted by Rodriguez, Fernandez, Rodrigues, (2014), whereby their study on the relationship between internal governance structure and financial performance of the firm established that there existed a negative relationship between number of BODs meetings and the firm performance. Further studies conducted by Amadi, (2014), established a positive relationship between performance of the SACCOs and entrenchment of corporate governance practices in the board operations, the study established that board meeting resolutions had a positive relationship with firms’ financial performance.

Nyaga, (2013) on the effect of corporate governance on financial Performance of SACCOs regulated by SASRA found out that board diversity, compensation and size affects the financial performance of deposit taking SACCOs, board size, experience and firms age were found to negatively affect the financial performance of SACCOs.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The purpose of the research study was to determine the relationship between board performance measurement practices and the performance of deposit taking SACCOs in Mombasa County.

5.2 Summary of the Study

The study established that all SACCOs have a mechanism of measuring the performance of the board of directors. The study adopted a descriptive survey research design in which data was gathered from deposit taking SACCOs in Mombasa County. The study was facilitated by both primary and secondary data. Regression analysis was applied to the data to examine the relationship between the organization's financial performance and the board performance measurement practices. The findings of the study revealed that the deposit taking SACCOs had adopted some of the practices in measuring the performance of their BOD like board chairman's reports, peer assessments and board meeting and resolutions.

Impact of implementation on these practices reflected positively on the organization's performance whereby there was an increase in the level of fixed assets, financial investments, institutional capital and net surplus as shown by the computed mean. The study also revealed that with the adoption of BPMP there was an increase in the level of transparency and accountability among the BOD though it also revealed that some

BOD opined that BPMP subjected them to negative scrutiny and it undermined their decision making process.

Therefore there is a positive relationship between peer assessments and the organizational overall performance whereas there is a negative relationship between performance contracts, board meeting resolutions, board chairman reports, industry regulators, independent evaluators and overall organization's performance.

5.3 Conclusion

From the findings of the study it can be concluded that majority of the SACCO management boards have not adopted the measurement practices as a means of evaluating each directors contribution to the performance of the organization. From the research measurement practices studied, majority of the SACCOs had only implemented the chairman's report and peer assessments. It is also concluded that performance evaluation is an important process of ensuring the board of directors meet the expectations of the investors thus contributing positively to the financial performance of the organization.

It is evident that the level of resistance experienced while implementing the measurement practices among the board was high this is related to the low level of awareness on the benefits of the process. From the study it is evident that the stakeholders are not conversant with the measurement practices and have not fully felt the impact of the practices adopted by the various SACCOs thus the need for creating awareness among the stakeholders on the issue of evaluating board performance.

5.4 Limitations of the Study

The study was limited to deposit taking SACCOs in Mombasa County. Thus the secondary data collected was not representative as it had a limited degree of precision.

The study was limited to only 7 SACCOs based in Mombasa County in order to determine the relationship between board performance measurement practices and the organization's performance. Consideration of SACCOs in other counties would give a broader outlook of the SACCO industry.

5.5 Recommendations

The study recommends that board of directors of SACCOs undertake to formulate company policy on board performance measurement practices and further regular follow up by SASRA. There is a need to ensure that shareholder investments are fully channelled to the right investments vehicles and proper accountability and transparent practices by their agents.

The study recommends that the there is need for inclusion of performance review modalities in the terms of engagement of Board of Directors. This will enable the investors make prudent decisions regarding their management choices.

The study recommends the engagement of an independent body to periodically review and measure the performance of board of directors of SACCOs with the aim of improving the organizations' financial performance. This will deter issues such as misappropriation of funds from occurring.

5.6 Suggestions for Further Research

The study recommends that a study on the challenges faced by SACCOs in implementation of board measurement practices should be conducted this will enhance knowledge on constraining factors to implementation of good measurement practices.

A study on the implementation of performance measurement guidelines in relation to board of directors of SACCOs should be carried out. A further study can be conducted on the extent of SASRA guidelines in performance measurement of Board of Directors of SACCOs in Kenya.

REFERENCES

Amadi, J. (2014). The relationship between coporate governance and financial performance of state owned commerial enterprises in Kenya. *Unpublished Research Project*.

Berthon, B. (2010). Responding to the Crisis: redefining corporate value. *The International Journal of business in society*, 354-359.

Bryant, P., & Davis, C. (2012). Regulated change effects on Boards of Directors: A look at Agency theory and Resource Dependence theory . *Academy of Strategic Management Journal*.

Bukhvalov, A., & Bukhvalova, B. (2011). The principle role of the board of directors: the duty to say no. *The International Journal of Business in Society*, 629-640.

Cropp, B. (1996). Evaluating Board Performance. *Center for Co-operatives*.

Fernandez, M. R., Alonso, S. F., & Rodriguez, J. R. (2014). Board characteristics and firm performance in Spain. *Corporate Governance: The international journal of business in society*, 485-503.

Hillman, A., Cannella, J. A., & Paetzold, R. (2000). The resource dependence role of Corporate directors: strategic adaptation of board composition in response to Environmental change. *Journal of Management studies*, 235-255.

Kioko, S. K. (2010). Assessment of performance measurement systems in operational improvement in public schools. *Unpublished research project*.

Kourtit, A. K. (2013). Performance Measurement and management in practice. *International Journal of Productivity and Performance Management*, 446-473.

Masaba, W. J. (2005). Asurvey of Performance Measurement Systems used in Commercial banks operating in Kenya. *Unpublished research project*.

Merchant, K. A., & Van der Stede, W. A. (2007). *Management Control Sytems, Performance Measurement, Evaluation and Incentives.* Prentice Hall.

Mullins, L. J. (2006). *Management and Organizational Behaviour.* Prentice Hall.

Mwololo, J. (2011). The Relationship between Corporate Governance and Financial of SACCOs with front office service activity in Nairobi. *Unpublished research project*.

Ndungo, M. W. (2014). Effects of corporate governance on information asymmetry between managers and investors in firms listed at the Nairobi securities exchange. *Unpublished research project*.

Odera, O. (2012). Governance problems of Savings and Credit Co-operative Societies. *International Journal of Academic Research in Business and social Sciences*.

Onchangwa, G. A., & Memba, F. S. (2012). Does savings and credit co-operative societies (SACCOs) have any effect on members' investment culture in Kenya. *International Journal of Arts and Commerce*.

Ong, D. C. (2008). Three Conceptual models of board role performance. *Corporate Governance: The international journal of business in society*, 317-329.

Orodho, J. (2007). *Techniques of writing research proposals.* Kanez HP Enterprise.

Pfeffer, J., & G.R., S. (1978). *The External Control of Organizations.* New York: Harper and Row.

Sedel, R., & Meynell, L. (2012). *What makes for a high performing board*. Retrieved from Russell Reynolds associates website: www.russellreynolds.com

Singh, N. K. (2013). Effect of board size and promoter ownership on firm value: some empirical findings from India. *Corporate Governance: The international journal of business in society,*, 88-98.

Srimai, S., Radford, J., & Wright, C. (2011). Evolutionary paths of performance measurement. *International Journal of Productivity and Performance Management*, 662-687.

Starovic, D. (2003). *Performance reporting to Boards: Aguide to Good practice.* Chartered Institute of Management Accountants.

APPENDICES

APPENDIX 1:LIST OF FIRMS

SCHEDULE OF LICENSED DEPOSIT-TAKING SACCO SOCIETIES IN MOMBASA COUNTY-KENYA FOR PERIOD ENDING DECEMBER 2014

	NAME OF SOCIETY	POSTAL ADDRESS
1.	BANDARI SACCO SOCIETY LTD	P.O BOX 95011-80104,MOMBASA
2.	JITEGEMEE SACCO SOCIETY LTD	P.O BOX 86937-80100, MOMBASA
3.	KMFRI SACCO SOCIETY LTD	P.O BOX 80862 80100, MOMBASA.
4.	MOMBASA PORT SACCO SOCIETY LTD	P.O BOX 95372-80104, MOMBASA.
5.	MOMBASA TEACHERS SACCO SOCIETY LTD	P.O BOX 86515-80100, MOMBASA.
6.	UCHONGAJI SACCO SOCIETY LTD	P.O BOX 92503-80102, MOMBASA.
7.	WASHA SACCO SOCIETY LTD	P.O BOX 83256-80100, MOMBASA.

Source: SASRA, 2015 *www.sasra.go.ke*

APPENDIX 2:QUESTIONAIRE

PART 1

Background Information

1.Please indicate the name of your organization…………………………………………………..

2.Your Gender: Male [ ] Female [ ]

3.Position in the organization ………………………………………………………………….

4.Does your organization have a board performance measurement review policy manual?

Yes [ ] No [ ]

5.If yes, indicate the level of adherence to the policy

i) Extremely strict
ii) Very strict
iii) Strict
iv) Quite strict
v) Hardly strict

PART II

Board Performance Measurement Practices

6. a) Are the board of directors in your organization engaged on a performance contact?

Yes [ ] No [ ]

b) How often is the performance contract reviewed?

i) Quarterly
ii) Semi Annually
iii) Annually
iv) Every two years
v) Never

7.a) How often do board and sub-committees conduct meetings?

i) Every one month
ii) Every quarter
iii) Twice a year
iv) Annually

b) Is a record of the meetings maintained?

Yes [ ] No [ ]

c) If yes, how fast are they circulated to the board for action? On a scale of 1 to 5

Extremely fast	1	2	3	4	5
Very fast	1	2	3	4	5
Moderately fast	1	2	3	4	5
Fast	1	2	3	4	5
Not fast	1	2	3	4	5

8.To what extent are the chairman's independent recommendations implemented by the board of directors? On a scale of 1-5

1) Never 2) Hardly 3) Quite often 4) Often 5) Always

9. a) Do directors in your organization evaluate each other's performance as a board?

Yes [ ] No [ ] Not sure [ ]

b) Is there a subcommittee that evaluates the board of directors in your organization?

Yes [ ] No [ ]

10. a) Does the company policy provide for an independent consultant to evaluate the performance of the board of directors?

Yes [ ] No [ ]

b) How would you term the level of co-operation accorded to an independent consultant by the board of directors? On a scale of 1-5

1) Extremely co-operative 2) very co-operative 3) co-operative 4) quite co-operative
5) Not co-operative

11. Please indicate the extent to which these Board performance measurement practices have been implemented in your organization. On a scale of 1-5 kindly circle the appropriate rank

Performance Measurement practices	**Rank**				
Use of performance contracts	1	2	3	4	5
Board meetings attendance	1	2	3	4	5
Implementation of board meeting resolutions	1	2	3	4	5
Board chairman's report	1	2	3	4	5
Peer assessments	1	2	3	4	5
Independent evaluators	1	2	3	4	5
Industry regulators indicators	1	2	3	4	5

12.In your opinion what is the level of importance attached to implementation of the following reports. On a scale of 1-5 1-very important and 5- not important

Chairman's report	1	2	3	4	5
Board report	1	2	3	4	5
Independent evaluators report	1	2	3	4	5
Regular's report	1	2	3	4	5

PARTIII

Organization's performance indicators

13.In your opinion kindly indicate to what level board performance measurement practices implemented in your organization impact the following organization performance indicators. On a scale of 1-5, 1 very great impact, 5 no impact at all

Organization performance indicator	**Rank**				
Number of Sacco members	1	2	3	4	5
Total member deposits	1	2	3	4	5
Members share capital	1	2	3	4	5
Loan portfolio	1	2	3	4	5
Financial investment	1	2	3	4	5
Institutional capital	1	2	3	4	5
Fixed assets	1	2	3	4	5
Liquid assets	1	2	3	4	5
Cash reserves	1	2	3	4	5
External debt	1	2	3	4	5
Total expenses	1	2	3	4	5
Net surplus	1	2	3	4	5

14.Please indicate your best performance measurement indicator with reference to these qualities in achieving organizational performance where 5 strongly agree and 1 strongly disagrees. Circle where appropriate

{Indicate}		rank			
Cost efficiency	1	2	3	4	5
Cost effectiveness	1	2	3	4	5
Timeliness	1	2	3	4	5
Quality	1	2	3	4	5
Relevance	1	2	3	4	5

15. In your opinion, indicate the level of awareness on board performance practices by your organization's stakeholders. On a scale of 1-5 1=very aware, 2=moderately aware 3=quite aware, 4=slightly aware, 5= not aware

General staff	1	2	3	4	5
Members/shareholders	1	2	3	4	5
Suppliers	1	2	3	4	5
Financiers/bankers	1	2	3	4	5
Industry regulator	1	2	3	4	5

16. Kindly indicate the level of impact of Board Performance Measurement Practices (BPMP) with regards to outcomes felt by the organization's stakeholders

	Yes	No	Not sure
BPMP is practical in the organization	☐	☐	☐
BPMP promotes transparency and accountability	☐	☐	☐
BPMP enables Board innovation	☐	☐	☐
BPMP gives relevant feedback on ability of the BOD to execute its objectives	☐	☐	☐
BPMP subjects the Board to negative scrutiny	☐	☐	☐
BPMP is not cost sensitive	☐	☐	☐

18. Kindly indicate the following trends in your organization for the periods highlighted.

	2014	2013	2012	2011	2010
Membership					
Total member deposits					
Member share capital					
Loan portfolio					

Financial investments					
Institutional capital					
Fixed assets					
Liquid assets					
Cash reserves					
External debt					
Total expenses					
Net surplus					