

**PERFORMANCE MANAGEMENT PRACTICES AND CUSTOMER
SERVICE IN SAVINGS AND CREDIT COOPERATIVES;
A CASE OF KABWOYA SACCO,
HOIMA DISTRICT**

BY

**MUSINGUZI MOSES
REG NO: 2011/U/HD/369/MBA**

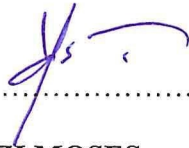
**A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTERS DEGREE OF BUSINESS ADMINISTRATION
OF KYAMBOGO UNIVERSITY**

JANUARY, 2014

DECLARATION

I, Musinguzi Moses, do solemnly declare that this Dissertation is my own original work and has not been submitted or, presented to any other Institution of learning for any academic purposes for the award of a Bachelor's Degree or its equivalent, nor has it been published anywhere by anyone.

Signed



MUSINGUZI MOSES

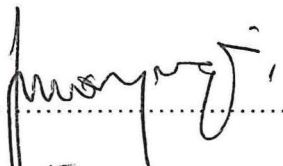
Date 22nd Jan 2014

APPROVAL

This Dissertation has been under our supervision as a University Supervisors and is now ready for submission to the Graduate School-Kyambogo University for examination.

1. DR. OYUGI .L. JACOB

SUPERVISOR

Signature .. 

Date 29th January 2014

2. MERSIAN TULYAHEBWA

SUPERVISOR

Signature .. 

Date 22nd Jan, 2014

DEDICATION

I dedicate this Dissertation to my beloved wife Florance Abooki and children for their patience and love while away for long periods either reading or working on my study. Their understanding has been of great value to me.

ACKNOWLEDGEMENT

Completion of this work is as a result of both explicit and support of many people to whom I owe acknowledgement. First and foremost I thank God for the protection and strength towards the completion of this Dissertation and the entire programme at large.

In a very special way, I extend my sincere thanks to my supervisors; Dr. Oyugi .L. Jacob and Mr. Mersian Tulyahebwa for their patience, dedicated attention, suggestions and encouragement that sustained my motivation to accomplish this Dissertation.

More thanks go to all my family members; Sam, Sunday, James, Patrick, Victor, beloved parents who have helped me in one way or another towards the completion of this study and my classmates especially; Paul, Dennis, Herbert, for the encouragement and understanding they have showed to me during the course of this programme and most so, during the critical difficult times at the University.

I thank the Almighty God without whose divine favour this study would not have been completed.

TABLE OF CONTENT

DECLARATION.....	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF FIGURES	ix
CHAPTER ONE:INTRODUCTION	1
1.0 Introduction	1
1.1 Background to the study	1
1.2 Statement of the problem.....	6
1.3 General objective	6
1.4 Specific objectives	6
1.5 Research questions	7
1.6 Scope of the study	7
1. 6.1 Geographical scope	7
1.6.2 Time scope.....	7
1.6.3 Content scope	8
1.7 Significance of the study	8
1.8 Conceptual Framework	9
1.9 Definition of key terms.....	10
CHAPTER TWO:LITERATURE REVIEW	12
2.0 Introduction	12
2.1 Theoretical Review.....	12
2.2 Performance management practices undertaken by SACCOs	14
2.3 Performance management practices and staff commitment to customer service	21
2.4 The extent to which performance management practices meet customer expectations in SACCOs	27
2.5 Relationship between performance management practices and customer retention SACCOs	30

2.6 Conclusion.....	36
CHAPTER THREE: METHODOLOGY.....	38
3.1 Introduction.....	38
3.2 Research design.....	38
3.3 Study population.....	38
3.4 Sample size and selection.....	39
3.5 Sampling techniques.....	39
3.6 Data Collection Methods.....	40
3.6.1 Questionnaire survey.....	40
3.6.2 Focused Group Discussion.....	41
3.7 Data Collection Instruments.....	42
3.7.1 Structured questionnaire form.....	42
3.8 Research procedure used in data collection.....	43
3.9 Validity and Reliability of Instruments.....	44
3.9.1 Validity.....	44
3.9.2 Reliability.....	46
3.10 Data analysis.....	46
3.10.1 Quantitative data analysis.....	46
3.10.2 Qualitative data analysis.....	47
3.11 Measurement of variables.....	47
CHAPTER FOUR: PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS.....	54
4.0 Introduction.....	54
4.1 Background Characteristics of the respondents.....	54
4.2 Objective One: The effect of performance management practices on staff commitment to customer service.....	58
4.2.1 Planning and customer service in SACCOs.....	58
4.3 Objective Two: The effect of performance management practices on customer expectations in SACCOs.....	63
4.3.1 Monitoring and customer service in SACCOs.....	63

4.4 Objective Three: The relationship between performance management practices and customer retention in SACCOs	68
4.4.1 Performance management practices and customer retention in SACCOs	69
CHAPTER FIVE:DISCUSSION OF FINDINGS, SUMMARY, CONCLUSION AND RECOMMENDATIONS	75
5.1 Introduction	75
5.2 Discussion of the Findings	75
5.2.1 Objective One: The effect of performance management practices on staff commitment to customer service.....	75
5.2.2 Objective Two: The effect of performance management practices on customer satisfaction in SACCOs.....	76
5.2.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs	77
5.3 Conclusions	80
5.3.1 Objective One: The effect of performance management practices on staff commitment to customer service.....	80
5.3.2 Objective Two: The effect of performance management practices on customer satisfaction in SACCOs.....	81
5.3.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs	82
5.4 Summary of findings	78
5.5 Limitations of the study.....	2
5.7 Recommendations	83
5.7.1 Objective One: The effect of performance management practices on staff commitment to customer service.....	83
5.7.2 Objective Two: The effect of performance management practices on customer satisfaction in SACCOs.....	84
5.7.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs	84
5.8 Areas for further study.....	85
REFERENCES	86
APPENDIX I: INTRODUCTORY LETTER	97

APPENDIX II: SAMPLE SIZE	98
APPENDIX III:SELF-ADMINISTERED QUESTIONNAIRE FOR THE RESPONDENTS WITH INFORMATION ON SACCOs IN KABWOYA SUB- COUNTY, HOIMA DISTRICT	99
APPENDIX IV:FOCUS GROUP DISCUSSION CHECK LIST	103
APPENDIX V:INTERVIEW FOR THE KEY INFORMANTS	106

LIST OF FIGURES

Figure 1: Classification of respondents by age.....	55
Figure 2: Classification of respondents by gender	56
Figure 3: Classification of respondents by marital Status	56
Figure 4: Respondents level of education	57
Figure 5: Number of years of service of respondents.....	57

LIST OF TABLES

Table 3.1: Category, target population, sample size and sampling technique that were used in the study	39
Table :4.1: Frequencies of planning and customer service in SACCOs	59
Table : 4.1.1; A correlation analysis between performance management practices and staff commitment to customer service.....	62
Table : 4.2: Frequencies monitoring and customer service in SACCOs.....	64
Table : 4.2.1; A correlation analysis between the effects of performance management practices on customer expectation in SACCOs.....	68
Table : 4.3: Frequencies of Rewards and customer service in SACCOs	70
Table : 4.4; A correlation analysis between the effects of performance management practices and customer retention in SACCOs	72
Table : 4.5; A correlation Analysis between performance management practices and customer service	73

LIST OF ABBREVIATIONS

ATM	-	Automated Teller Machines
BMAU	-	Budget Monitoring and Accountability Unit
CSF	-	Critical Success Factor
CRM	-	Customer Relationship Management
FGDs	-	Focused Group Discussions
ICT	-	Information Communication Technology
KPI	-	Key Performance Indicator
LDCs	-	Least Developed Countries
MBOR	-	Management by Objectives and Results
MDI	-	Millennium Development Initiatives
MFIs	-	Micro Finance Institutions
PMPs	-	Performance Management Practices
SACCOs	-	Savings and Credit Cooperatives
SCIS	-	Social Care Institute for Success
SMART	-	Specific, Measurable, Attainable, Relevant and Timely

ABSTRACT

This study was carried out in order to examine the relationship between performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) in Kabwoya Sub-County, Hoima District using Kabwoya SACCO as a case study.

The study objectively sought; to assess the effect of performance management practices on staff commitment to customer service in SACCOs, to examine the effect of performance management practices on customer expectations and to establish the relationship between performance management practices and customer retention in SACCO. The study used a cross-sectional research design. Data was collected using questionnaires, interviews and FGDs. A simple random sampling design was used to select respondents from the clients and purposive sampling was used to select staff respondents. The study covered 100 respondents all had information on performance management practices and customer service in SACCO. Data analysis was done using a computer package of SPSS.

The findings revealed that; performance management practices used by these SACCOs have positively impacted on customer expectations enterprises in terms of profitability, productivity and business sustainability. However, some respondents from Kabwoya SACCO is not in position to increase on their savings level which has made them to entirely depend on loans for business financing as evidenced from Pearson correlation coefficient of $r=-0.603$. The results indicated that there is a significant positive relationship between performance management practices and staff commitment.

It was concluded that; there is a significant positive relationship between PMPs and staff commitment which implied that when SACCOs possess the ability to acquire knowledge, disseminate information, and interpret information will result into positive effect on the performance of SACCOs. Also, it was concluded that; there is a significant and positive relationship between PMPs and customer expectations as revealed by an indication that the more the SACCOs were willing and prepared to avail service to borrowers, the more governance structures, would improve. Also there is a significant and positive relationship between PMPs and customer retention, the higher the level of innovation among employees the likelihood that SACCOs will improve.

The study recommended that; for SACCOs to ensure employee commitment, customer expectation, satisfaction and retention the following must be done; participatory planning should be emphasized, regular monitoring of activities and feedback on findings should be provided to all stakeholders, then equitable rewarding should be timely and regularly done, since it leads to commitment among various stakeholders hence good performance by the SACCO.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study was undertaken to ascertain the relationship between performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) in Kabwoya Sub-County, Hoima District. This chapter presents the background to the study, statement of the problem, objectives of study, scope of the study, research questions and significance of the study.

1.1 Background to the study

Performance Management Practices (PMPs) is defined as: ‘the formal, information-based routines and procedures which managers use to maintain or alter patterns in organizational activities’ (adapted from Simons, 2011). These practices focus on conveying financial and non-financial information that influences decision-making and managerial action. An increasing number of profit and non-profit organizations are implementing a PMP in order to achieve better organizational results in a changing and dynamic environment (Bititci et al., 2012). Despite these positive effects, many organizations in this regard SACCOs have difficulty implementing a performance management practice (De Waal, 2013). Simons (2012) states that a PMP cannot be effectively designed and implemented without taking into account human behaviour.

The goal of a performance management practice is to steer the behaviour of people in the organization towards achieving the results desired by the organization. A PMP should therefore foster performance-driven behaviour. The factors that influence this behaviour are

(De Waal, 2012): structural factors which affect the structure and content of the PMP; behavioural factors which affect the actual use of the PMP by people in the organization; systems related to a PMP such as evaluation and reward systems (Spangenberg and Theron, 2011); and cultural factors (both organizational and national). The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization. Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in nature.

Performance Management Practices is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker, and Randall, 2001). Many private sector businesses still focus their performance measurement on bottom-line financial measures, like return-on-investment, market share, and earnings-per-share. However, these measures do not provide the full overview of an organization's performance that a manager needs to manage effectively. By combining internal and process measures with results and financial measures, managers can obtain a more complete picture and better insight into where to make improvements. This in turn will increase the results of the organization (De Waal, et al. 2013).

Performance management practice is very beneficial to an organization if nurtured properly. The key benefits include: focusing on results rather than behaviors and activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization (Appelbaum, E., 2002). Other advantages of performance management practice include optimizing operations in the organizations because goals and results are closely aligned; ensures equitable treatment of employees because appraisals are based on results; validates expectations because in today's age of high expectation organizations are striving to transform themselves and society, having measurable results can verify whether grand visions are realistic or not; and depersonalizes issues as supervisors focus on behaviours and results rather personalities. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 2007).

Customer service, as a concept, is evolving into a practically relevant concern for organizations trying to achieve long-term prosperity. Traditional measures of progress in an organization have focused on sales volumes, profit margins and productivity, many a times without looking at the critical indicators of customer service that is the level of satisfaction of both internal and external customers (Ross, 2005). Taking account of customer satisfaction gives the company an account of how well its services are meeting the expectations of its customers. As a result the company is in a position to develop programs that enable it to satisfy customers, encourage repeat purchase, cross-selling and maintain long-term profits.

Customer service is the process of ensuring customer satisfaction with a product or service. Often, customer service takes place while performing a transaction for the customer, such as

making a sale or returning an item. Customer service can take the form of an in-person interaction, a phone call, self-service systems, or by other means. Customer service is an extremely important part of maintaining ongoing client relationships that are key to continuing revenue. For this reason, many companies have worked hard to increase their customer satisfaction levels in this regard SACCO stakeholders reach out to clients and explain to them how to use loans advanced to them. Often there are many more people working behind the scenes at SACCOs than there are customer service representatives, yet it is primarily the personnel that interact directly with customers that form customers' perceptions of the company as a whole.

Customer service is the new-fangled sprouting issue in relationship marketing with focus on cooperative and collaborative relationship between a company and its customers. "Customer service is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the SACCOs and the customer. It involves integration of marketing, sales, customer retention and supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value" (Sheth & Parvatiyar, 2001). Customer Relationship Management (CRM) represents the marriage between the customer orientation and the emerging information technology to produce a memorable relationship experience to the marketers as well as to the customers (Agrawal, 2003). Customer service can be considered as a tool for delivering marketing dream to enjoy long term relationship with customers, especially with the profitable ones (Pearson, 1995). Finally it can be said that CRM is not the end, it's a means to ensure long term success of marketing effort.

It is noted that there are four key performance management process activities, and they include performance planning, performance coaching and mentoring, performance measurement and evaluation and performance feedback (Nel *et al.*, 2011). The literature points out thirty-one problems faced by SACCOs in implementing performance management practices and these include factors such as insufficient capacity, lack of resources, lack of management commitment, attitude of employees, insufficient commitment from middle managers and staff, ICT systems which do not support PMP, poor management styles, and many other associated problems (De Waal and Counet, 2012). De Waal (2012: 367) indicate that a seventy percent failure rate in implementing performance management practices creates a situation in which it becomes rejected, and this literature further indicates that “without proper research of problems of implementation”, the same problems will face the organisation in this regard SACCOs repeatedly and lead to inefficiencies such as, “cancelled and terminated systems”.

Kabwoya SACCO in Kabwoya Sub-County, Hoima District was established in 1995 and have created a strong brand recognition and superior financial performance that is; in overcoming poverty in the Sub-County. They have achieved both operating and financial sustainability. The challenge now is to provide a demonstrable operational excellence and leadership as the very first MDI in Sub-County. Over the past decade the industry has transformed into, dynamic private sector catering for the financial needs of the low income earners and economically active poor. Accordingly, most poor people once interviewed indicated a lack of financial services mainly as the major factor inhibiting poverty within the rural poor. Consequently the government has initiated the development of microfinance services like the SACCOs under the ministry of microfinance, program of prosperity for all Ugandan by His Excellency the president of the Republic of Uganda with support from the

World Bank but nothing has been achieved as expected by the government. Therefore, this has raised concern of the researcher to establish the relationship between performance management practices on customer service in SACCOs.

1.2 Statement of the problem

The Budget Monitoring and Accountability Unit (BMAU) brief (2009) indicated that membership in SACCOs was declining. The concerns raised by clients were delay in disbursement of loans, untrustworthy borrowers, inefficient administration services and inadequate credit facilities statistics show borrowers have reduced from 43% to 24% (Annual reports from Credit officers 2012). If this trend continued, it would impair the financial position of the SACCOs. This may cause redundancy of workers and suffering of clients who rely on the SACCOs for their livelihood. It is possible that; the forgoing negative trend is due to lack of effective Performance Management Practices. This study, therefore seek to ascertain the relationship between performance management practices on customer service of SACCOs.

1.3 General objective

The general objective of the study was to examine the relationship between Performance Management Practices and Customer Service in Savings and Credit Cooperatives (SACCOs) in Kabwoya Sub-County, Hoima District.

1.4 Specific objectives

The study was guided by the following research objectives

- i. To assess the effect of Performance Management Practices on staff commitment to customer service in SACCOs in Kabwoya Sub-County

- ii. To examine the extent to which performance management practices meet customer expectation in SACCOs in Kabwoya Sub-County
- iii. To establish the relationship between performance management practices and customer retention in SACCOs in Kabwoya Sub-County

1.5 Research questions

- i. What is the effect of performance management practices on staff commitment to customer service in SACCOs in Kabwoya Sub-County?
- ii. To what extent do performance management practices meet customer expectations in SACCOs in Kabwoya Sub-County?
- iii. Is there any significant relationship between performance management practices and customer retention in SACCOs in Kabwoya Sub-County?

1.6 Scope of the study

1.6.1 Geographical scope

The study was carried out in Kabwoya SACCOs in Kabwoya Sub-County, Hoima district because most of the people in rural areas have no access to micro finance institutions and yet they really assisting them to improve their welfare. They have not realized growth in savings despite the continued access to others sources loans plus the low levels of profitability since all the funds they get are used to service the loans in form of the weekly repayments.

1.6.2 Time scope

Documentary analysis focused on performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) between the period of 2009 to 2012 because this is the period when SACCOs have taken centre stage aimed at poverty alleviation. Besides, it is the time when government of Uganda in collaboration with donors and other

stakeholders commissioned a number of programs aimed at developing the micro finance industry as the strategy to fight poverty within Uganda but to a greater extent has not registered success due to ineffective performance management practices they use especially in SACCOs.

1.6.3 Content scope

The study focused on performance management practices as an independent variable and customer service in SACCOs as a dependent variable since the two are interlinked.

1.7 Significance of the study

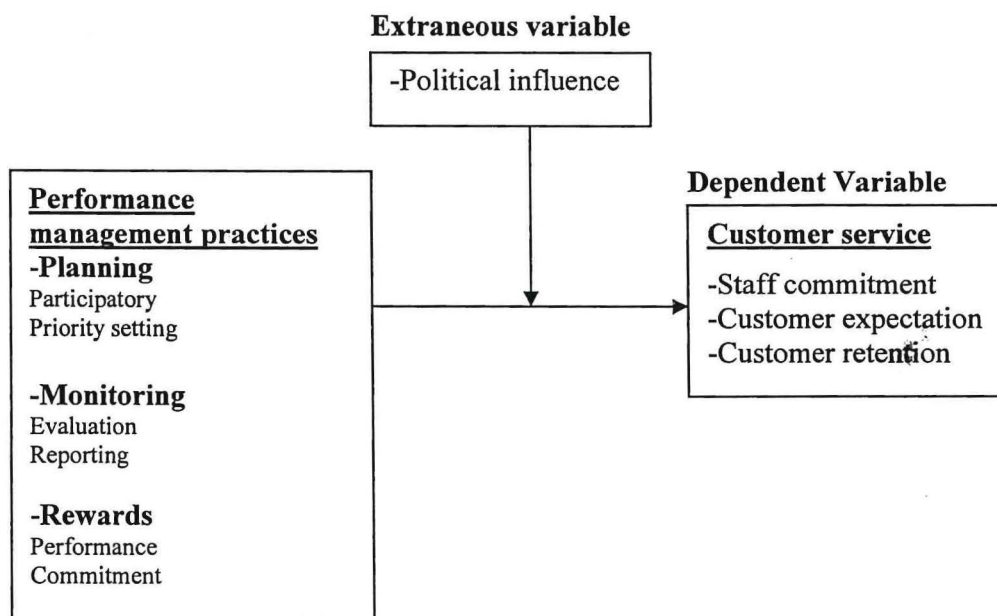
The study is intended to benefit the following categories of people;

- i. It is hoped that the study will be useful to the Policy makers especially the Government of the Republic of Uganda by yielding data and information necessary for proper planning and decision making in the implementations of SACCOs on poverty alleviation.
- ii. More to that, recommendations of the study will be useful to the manager and administrators of SACCOs in Uganda by not relying on haphazard personal experiences, or subjective expert judgments, or on tradition or fashion in their administration tasks, but base their methods, decisions and actions on concrete knowledge of issues of the SACCOs supported by research findings.
- iii. As a student of MBA, I am hopeful that the study findings will to a large extent improve my profession in researching and enable me to have a practical approach to solving administrative related problems, as the course requires.

- iv. The researcher hopes that the study will form a basis for other academicians on further research about the impact of SACCOs on poverty alleviation in general which will lead to the generation of new ideas for the better and more efficient administration of SACCOs in Uganda and the rest of the world.

1.8 Conceptual Framework

Good performance management practices are supposed to increase the number of customers in order to reduce the attrition rate, which should lead to customer retention. In some instances, performance management practices do not lead to staff commitment due to hindrances such as; political influence.



Source: Adopted and modified from Integrated Gaps model of Zeithaml (1996)

Figure 1: The Conceptual framework for the study

The conceptual framework in figure 1; explains that performance management practices as the independent variable with the dimensions of; planning, monitoring, and rewards; because planning will enable staff of SACCOs to determine the most profitable way to increase the

number of customers in order to reduce the attrition rate, this will focus on time and efforts at reducing attrition. If the staff is not sure why the customers are leaving, it would be a good thing to research, then since monitoring customer service will improve customer satisfaction. Because, the key element that needs to follow monitoring, is providing solutions to improve customer service based on recommendations from the customer and/or the monitor identifying where improvements need to be made, and various types of recognition and rewards that companies actually give their workers, and experts in the human resource literature address. Nevertheless, it is clear that recognition and rewards-as part of the more comprehensive efforts at keeping workers or adopting good work practices-can all phrase as it includes a diverse range of formal and informal, financial and non-financial, incentives given to individual employees, groups of employees or to an entire staff. This involves questioning the validity of the usefulness of the various approaches to strategy analysis which influences customer service as a dependent variable with the dimensions of; staff commitment, customer satisfaction and customer retention. It should be noted that performance management practices and customer service in an organization in this regard in SACCOs in Kabwoya Sub County is also determined by political influence. Therefore, in order to make sure that these aspects are adhered to, performance management practices should be favourable in terms as far as customer service is concerned. All in all, if the above are put in place the end outcome will be; achievement of targets and goals, quality improvement, ability to respond to change and satisfaction of stakeholders.

1.9 Definition of key terms

Performance performance comprises the actual outputs or results of an Organization as measured against its intended outputs (or goals and objectives).

Performance Management Practices is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes.

Customer Service is the act of keeping customers resulting from service quality and customer satisfaction.

Customer retention is the activity that a selling organization undertakes in order to reduce customer defections.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the related literature review that have been explored and studied both theoretically and empirically on the existing literature on the relationship between performance management practices and customer service in SACCOs in developing countries and elsewhere in the world and this was done in line with the specific objectives of the study in order to identify the knowledgeable gaps. It is important to note that the greatest part of the existing literature on the works of other scholars, opinions, suggestions who have written about the topic of the study or those who have addressed similar issues as those of the variable that were available in the study.

2.1 Theoretical Review

A very important theory informing performance management practices is the Consistent Theory. It reflects the fact that performance management practices are double-edged swords or hybrids that assume both autonomy and control. On the one hand, they are derived from economic organization theories, like public choice or principal-agent models, which are based on the assumption of distrust (Boston et al. 2006). Public-sector agencies and companies are assumed to be self-interested bodies that need to be controlled through specified performance contracts performance control and assessments. Thus there is an element of distrust and centralization and the slogan is “make the managers manage”. At the same time, “Management By Objectives and Results” (MBOR) is also derived from management theories whose basic assumption is mutual trust. According to these theories, subordinate units and superior bodies have common interests and the only way to increase the

efficiency of public bodies is to give operating managers more discretion and flexibility in deciding how to use allocated resources. The best way to improve organizations is supposedly to allow more autonomy and flexibility. Thus there is an element of decentralization and the slogan is “let the managers manage”. However, the above theory emphasizes organizations to use “Management By Objectives and Results” (MBOR) but these approaches are still lacking in Kabwoya SACCOs in Kabwoya Sub-County, Hoima district because management is conducted through hierarchy of powers.

The study is also modelled on The Theory of Goal Setting which has been used in management since the early 1800s. Goal-setting theory has become a popular and effective tool for management in applying organizational psychology and motivating a workforce. It emphasizes that; management can also employ goal setting to focus employees on matters of importance to the success of the entire organization, and how they can personally contribute to accomplishing these goals. For upper management and the entire organization (in this regard SACCOs) to reap the benefits of goal setting, Edwin A. Locke stressed that goals need to be SMART: Specific, Measurable, Attainable, Relevant and Timely. Goal setting theory requires objectives to be: clear and significant, able to be measured in quantifiable terms, challenging but not impossible, relevant and important to the success of the company. Goal setting also requires a specific and appropriate time frame for accomplishing goals.

For instance; setting appropriate and significant goals holds as much importance to the success of an organization as the workforce's efforts toward attaining the goals. Setting SMART. goals is the first step, in this case SACCOs’ goals should clearly understand by the staff. So that gaining employee buy-in comes next. Employees will buy in and exert the effort required to accomplish goals depending on four factors: difficulty, commitment, clarity and

acceptance. Easily attainable goals and objectives often coincide with underachievement and low-performing employees. For this particular case of the SACCOs, correct goal setting and management of the workforce will enhance performance through increased motivation, effort and persistence which will result into customer retention. Goal-setting theory also improves the quality and frequency of feedback on performance administratively. Feedback usually requires interaction with upper management (in this regard it will be between staff and borrowers of SACCOs). However, with a clear goal in sight, employees can measure their progress and make necessary adjustments to their methods or efforts throughout the process.

2.2 Performance management practices undertaken by SACCOs

Performance Management Practices is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker and Randall, 2001). Organizations which do not integrate ongoing performance practices and feedback into their management development programmes tend to experience lower than expected performance improvements and higher dissatisfaction and turnover. Thus, performance management provides organizations the opportunity to refine and improve their development activities.

Performance management programmes provide feedback based on specifics rather than generalizations and are based on specific objectives derived from the desired outcome of performance practice results. Performance management practices if nurtured properly are very beneficial. The key benefits include: focusing on results rather than behaviors and

activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 2007). Elements of Performance Management Practices include problem identification, capital investment, performance evaluation and external disclosure (Ittner, *et al.*, 2001).

Performance Management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization. Brown & Armstrong (2009) consider performance management to be anything that an organization does to improve its total performance. They postulate that it has four primary purposes. Performance Management assists organizations in providing a basis for managing both organization and employee expectations. This is achieved by enabling individuals and organizations to clarify the nature of the psychological contract (Argyris, 2008; Schein, 2009) between them. It also aims to provide a framework which facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organizations core values. Performance management systems aim to motivate towards established and clearly communicated expectations, and also, to provide a developmental process for the organization by setting guidelines that assist in establishing future needs and outcomes.

A performance management system typically involves “the setting of performance objectives, the measurement of performance against these objectives, the identification of developmental support and a review process to develop performance and subsequent objectives” (Brewster, Carey, Dowling, Grobler, Holland & Wörnich, 2003). The performance management system

is a way of providing a measurement of the performance of the organization, the team and the individual through a variety of performance measurement techniques (Price, 2009). As has already been shown, the performance management system depends on performance measurement, but has a wider role in evaluating and developing individuals to encourage improved performance results, and assisting in managing for these results. Later in this chapter, performance measurement and performance management systems will be considered in more detail.

From the above definitions, the main purpose of performance management in organizations can be seen to be to enhance the achievements both of the organization and the individual. Performance management systems are “concerned not only with *what* is achieved but also with *how* it is achieved” (Price, 2010). All effective generic performance management systems have certain specific components in common, without which the system would be ineffective. These are the principle steps that must be implemented to ensure the effective functioning of the system. According to Price (2006) “in every case, effective performance management requires an organization to do three things well; Define the characteristics of good – as opposed to average or bad –performance, Facilitate employees to perform well by removing obstacles and Encourage performance through reward, praise or promotion”

The main reason for having a performance management system in operation in an organization is proposed by Armstrong & Baron (cited in Price, 2000) as being that people perform best when they know what is expected of them and have helped in setting the expectations. People are better able to perform and realize expectations that are set within their capability levels, and within a supportive organizational structure (i.e. they have access to resources and training where necessary). A performance management system provides a

communication channel that can motivate staff and improve their attainment of objectives through the use of reward based systems. These systems, if implemented in a well-designed and fair manner, can be empowers and enablers, making the difference between an average organization and an excellent one, through the use of the all-important asset: people.

The authors call for future research to begin by examining the PMP over time in one organization and their study provide a tool-kit for researchers to use to describe and assess PMP in an organization. Also Zairi, (2004) asserted that the right processes and routines surrounding PMP is to ensure effective communication with stakeholders and a smooth execution of strategic objectives leading to improved performance results in the organization. Communication across organizational sub-units can be seen as an important ingredient in the functioning of the organization, because extensive information is needed to integrate operations across the society.

Gusii Mwalimu SACCO society is a member owned and controlled Savings and Credit Society offering a diversity of financial services to its members at a reasonably low rate of interest. The SACCO provided various services to customers and these services included lending or loaning, which is the major and obvious service of any SACCO (Gertler and Gilchrist, 2012), Other services offered by the SACCO include; Withdrawal Savings Fund, Members Welfare Fund, Risk management Fund, Credit facilities, Savings facilities and Check off system loans. The SACCO had introduced a number of new products and services such as instant loans repayable between four to twenty four months, customer care desk, marketing sub-department, Automated Teller Machines (ATM) and opening up to non-member to save and channel their earnings such as farmers, retirees, business people and institutions. Kottler (2009), asserts that; in a nutshell membership in Gusii Mwalimu SACCO

Society was declining and the issues raised by clients were: delay in loan disbursement; poor ATM services; inadequate variety of services; inefficient services and inadequate credit facilities. If this trend continued, the financial position of the SACCO would be impaired.

Ferreira and Otley, (2004) in their case studies into Performance Management Practices (PMP) at four Portuguese organizations, highlight the importance of time and depth dimension. The authors report that PMP has enabled them to develop a good understanding of the existence of organizational practices over a very short time period. They focused on the existence rather than use of PMP. It is a concern that the difference between the formal and informal processes is often highlighted. The authors call for future research to begin by examining the PMP over time in one organization and their study provide a tool-kit for researchers to use to describe and assess PMP in an organization.

Ittner, *et al.*, (2001) focused on the importance of Performance Management Practices to long term organizational success and their use in Performance Measurement and decision making using some value driver categories such as short-term organizational success (for example, annual earnings, return on assets, cost reduction); customer relations (market share, customer satisfaction, customer service); employee relations (employee satisfaction, turnover, workforce capabilities); and product and service innovation (new product or service development success, development cycle time). The practices include: identifying problems and improvement opportunities and developing action plans; evaluating major capital investment; evaluating Managerial Performance; and disclosing information to external parties. These practices were to improve the alignment between Performance Management Systems and the firm's organizational objectives. Sink (2009) in his study of PMP suggests that performance is a "mystery complex, frustrating, difficult, challenging, important, abused

and misused” function. The level of performance an organization attains is a function of efficiency and effectiveness of the actions it undertakes, and thus: performance measurement can be defined as the process of quantifying the efficiency and effectiveness of an action.

Kaplan, N., et al (2002) suggested a performance measurement system which enables managers to examine the accomplishment of the business from four different perspectives: financial perspective; customers’ perspective; internal business perspective; and innovating and learning perspective. They further argued that PM establishes goals but assumes that people will adopt whatever behaviours and take whatever actions are necessary to arrive at those goals. Ahrens and Chapman (2007), point out that, “many organizations seem trapped with the notion that performance management practice is something that is added on to their existing system”. As the PMP drive in an organization’s strategy and vision, every society is unique in its objectives and measurement; this may facilitate the adoption of the PMP as a tool and make the organization conscious that it is a new management practice. Kaplan, *et al*, (2010) in their research on management Accounting and Performance of Financial services indicate that technical and organizational factors can play an important role in the perceived success of an organization. They found no evidence that high satisfaction levels translate into improved financial performance.

Appelbaum, (2002) in his study, the impact of performance management on employees in an organization, indicated that PM can alleviate declining real wages and growing inequality. He further explained that an understanding of employee outcomes is, therefore, important for reasons of good performance, social justice and creation of a fair society in service delivery. Kaplan, *et al*, (2002) contends that, even if PM were found to increase wages, ‘the relationship between that wage effect and overall inequality is indeterminate’. The findings,

thus, caution strongly against the promise that techniques of PMP will necessarily deliver efficient financial services to both individual and wider societal outcome. It is worth determining whether PMP in SACCOs have helped in improving efficiency in financial service delivery. From the above, it is evident that a lot of research has been done on performance management practice in various organizations in other countries especially in the developed countries. However, little research has been done on the efficiency and effectiveness of PMP in most organizations in LDCs in general and Uganda in particular.

Monitoring financial figures may show that the adopted strategy has worked and that value was created in the past, but they do not show if this also will be the case in the future. Financial measurements that show what happened in the past are called lagging indicators. To complement these lagging indicators, an organization also needs leading indicators that forecast future results. The leading indicators are expressed in the form of critical success factors and key performance indicators. A critical success factor (CSF) provides a qualitative description of an element of the strategy in which the organization has to excel in order to be successful. The CSF is made measurable by a Key Performance Indicator (KPI). The use of CSFs and KPIs enables measurement, and thus control, of strategic objectives. If performance indicators that measure the execution of the strategy and the creation of value are not included in the performance management process, it will be uncertain whether strategic objectives and value creation are being achieved. The balanced scorecard is used to represent the financial and non-financial KPIs in a user-friendly format.

The overall lack of management skills and expertise often makes it not viable for developing countries to develop complex structures such as sophisticated performance management practices. They therefore concentrate more on introducing and copying tools and systems

from the Western world which are not always the best suited to local circumstances. This raises the question whether Western techniques like performance management are suitable for developing countries (Bolino & Turnley, 2013). There is no question that in theory adopting management practices which have proven to be effective is a better alternative for an organisation than investing limited and scarce resources in efforts which do not amount to much more than 'reinventing the wheel'. Also, the poor management practices, bureaucratic inefficiencies, and low productivity levels in many organisations of developing countries create considerable pressure for managers to adopt speedy, ready-to-implement strategies. The state-of-the-art techniques and practices currently in operation in Western organisations can undoubtedly be of great benefit to organisations in developing countries. However, these techniques and practices have evolved in the context of Western environment and cannot be expected to be transplanted just like that to the different socio-cultural environment of developing countries (Mason, 2012).

2.3 Performance management practices and staff commitment to customer service

Haskel and Hawkes (2010) found out that, the top SACCOs performers hire workers with skills, on average, an extra qualification level compared to the lower performers. They also found that higher skill levels support innovation and more sophisticated production processes and were associated with the production of higher quality products and increased performance. Green *et al.* (2011) has also found a strong relationship between different levels of workforce skills and the sophistication of products. Other research has suggested that a more highly skilled workforce can bring other benefits such as enhancing company survival. Reid (2012) suggested that a more skilled workforce was related to a greater commercial orientation and strategic awareness and propensity to innovate to retain competitive advantage. Rychen and Salganik (2011) argued that coping with today's challenges calls for

better development of individuals' abilities to tackle complex mental tasks, going well beyond the basic reproduction of accumulated knowledge. Key competencies involve a mobilization of cognitive and practical skills, creative abilities and other psychosocial resources such as attitudes, motivation and values. They added that despite the fact that competencies comprise more than just taught knowledge; a competency can itself be learned within a favourable learning environment.

The effectiveness of the performance management system is most often ensured by employing performance management analysis (PMA) wherein both the structural and behavioural aspect of the system are monitored and linked (de Waal 2004). Armstrong & Baron (2005) also believed that performance management system cannot be formulated without considering the behavioural aspect of the employees. The study made by de Waal and Coevert (2007) implies that with the introduction of performance management in a certain bank, the number of products sold and their communications with their clients have vastly improved. According to the manager of the concerned bank, performance management rendered positive influence on the focus of the employees to deliver better performance. The selling culture within the department has improved (Waal & Coevert, 2007).

According to Social Care Institute for Success (SCIS) (2011) knowledge awareness demonstrates knowledge and information relevant to the employees' role and the value that this brings to the work they do and to their personal development. This knowledge awareness is important as it determines the employee's level of performance in a given task. The important part of managerial competence is the ability to influence people and motivate them to contribute beyond expectations (Bolino & Turnley, 2013). Hence managerial competencies

are public rather than private processes in the sense that they are accessible to at least one or more employees who use them to evaluate their performance. From a sociological perspective, managerial competencies can fully be enhanced through various employee developments in businesses for the firm success in the long run. According to Karns (2010), promotion of employees in firms is a means of examining the managers' competencies that are essential for effective job performance / business success.

Abraham (2010) found in an empirical study that better educated workers need to achieve a lower level of productivity before being promoted than do less well educated workers. Hence, even if productivity were positively correlated with education we could find that the better educated within a job are, on average, less productive than the less well educated workers. Fermilab (2012) noted that employees with relevant competencies deliver results by maximizing organizational effectiveness and sustainability. He however observed that people have the support and tools they need and that the workforce as a whole has the capacity and diversity to meet current and longer-term organizational objectives. He emphasized the alignment of people, work, and systems with the business strategy to harmonize how they work and what they do and that conscientiously assign performance goals, offer year-round performance feedback, and conduct timely performance discussions and reviews.

Foster et al. (1996) point out that trust is linked with predictability, reliability and mutuality. In order to stimulate predictability, it is important for managers to be consistent in their behaviour and reactions. It is also crucial to make real personal contact with employees, which requires an attitude of openness. Waal (2001) confirms this when he states that: 'Trust in management requires consistent behaviour on all management levels'. Consistency and transparency in organizations therefore require bringing management and employees together

to create mutually beneficial conditions. Calabrese (2002) notes that mistrust is a primary cause for the withholding of support by employees. The majority of organizations which have ignored employee involvement have gone through painful experiences of dealing with unmotivated employees.

High absenteeism, high turnover rates, and conflicts that proved to be destructive and costly in lawsuits, long grievance processes, and low productivity levels are just a few problems they had to deal with (Tom 1998). By focusing on transparency, an organization's leadership creates conditions in which bias drops, parties set aside their natural defensive reactions, and learning occurs—thus focusing on the process of building trust centres on human relationships and the understanding that goes into building those relationships. It is from relationship building that the process allows parties to work in solidarity and learn to cooperate to achieve mutually beneficial outcomes. Nooteboom and Six (2001) point out that trust does not occur spontaneously inside organizations, but is linked to individual and collective learning. It arises out of the need to determine whether mutual expectations regarding trust are fulfilled and it is the outcome of direct interactions between the actors involved in the process. An organization can promote reliability by doing things together with employees, and taking time to create a secure atmosphere of mutual acceptance (Galford & Drapeau, 2004).

Hacker et al. (1999) developed a conceptual model of trust that groups human characteristics into three dimensions: capability, commitment and consistency. Capability is the ability of an individual to produce results or to meet performance expectations. Commitment is the concern of a person for another person, and his intention toward achieving their common success. Consistency has two aspects: the individual's alignment between words and actions, and the individual's capability of producing a similar level of effort over time. These three

dimensions provide the basis of the trustworthiness profile of an individual, team or organization.

Fermilab (2013) also argued that, for organizations with competent employees engage people, organizations, and partners in developing goals, executing plans, and delivering results. Mobilize teams, building momentum to get things done by communicating clearly and consistently, investing time and energy to engage the whole organization. Use negotiation skills and adaptability to encourage recognition of joint concerns, collaboration, and to influence the success of outcomes. Follow and lead across boundaries to engage broad-based stakeholders, partners, and customers in a shared agenda and strategy.

According to Watson Wyatt (2010) this does not mean the effort of the concerned organizations or companies in bringing performance management is a failure. Watson Wyatt gave some helpful suggestions on how to improve the image and effects of performance management such as avoiding using the name of the HR in the process, setting appropriate goals, establishing tools for the measurement of the performance and consistently use them, developing performance culture, adopt, if possible, performance management system (paperless tasks encourage participation from managers), aligning goals with performance, training the managers and addressing the expectations of the employees.

The goal of a performance management practice is to steer the behaviour of people in the organization in this regard SACCOs towards achieving the results desired by the organization. A PMP should therefore foster performance-driven behaviour. The factors that influence this behaviour are (De Waal, et al, 2013): structural factors which affect the structure and content of the PMP; behavioural factors which affect the actual use of the PMP

by people in the organization; systems related to a PMP such as evaluation and reward systems (Spangenberg and Theron, 2011); and cultural factors (both organizational and national). To find out why organizational members do not demonstrate performance-driven behaviour, one should look at the factors (structural, behavioural, cultural) that are influencing the PMP.

A method which can be used to assess the degree of performance-driven behaviour in an organization, taking into account structural factors, behavioural factors, related systems, and organizational culture, is the Performance Management Analysis (PMA) (De Waal, 2012). The PMA makes a distinction between the structural and the behavioural side of performance management. The 'structural side' deals with the systems' architecture which needs to be in place to be able to use performance management. This usually involves determining Critical Success Factors (CSFs) and Key Performance Indicators (KPIs), and designing a Balanced ScoreCard (BSC). The 'behavioural side' deals with the organizational members and their use of the PMP, and includes cultural factors. The PMA is based on the principle that the two sides need to be given equal attention in order to establish a performance-driven organization (De Waal et al., 2013). There are many things that can be measured and reported in an organization, but they will be of little value if organizational members do not use this performance information. Conversely, goodwill of organizational members (SACCOs) does not account for much when they cannot access the performance information needed to display performance-driven behaviour. Kaplan and Norton (2011) introduced the notion of balance being important for a successful PMS, referring to the balance between financial and non-financial information and between leading and lagging indicators. The PMA enables an organization to actually assess the degree of performance-driven behaviour.

2.4 The extent to which performance management practices meet customer expectations in SACCOs

Customer service has been recognized as an important element for enhancing service quality in online shopping and banking (Zeithaml, 2002). Elements in customer service dimension have been noted in many previous studies (Liu and Arnett, 2000; van Riel et al., 2001; Madu and Madu, 2002; Wolfinbarger and Gilly, 2003). This dimension has to do with service reliability, customer sensitivity, personalized service, and fast response to complaints. Originally, Parasuraman et al. (1985) included the following dimensions of customer service: responsiveness, courtesy, and understanding customer. The subsequent SERVQUAL scale (Parasuraman et al., 2008) included the dimensions of responsiveness (willingness to help customers) and empathy (individual attention). Courtesy was relocated into the trust dimension of SERVQUAL. Thus, consumers expect to be able to complete transactions correctly, receive personalized attention, have the product delivered on time, have their e-mails answered quickly, and gain access to information.

Perhaps because of these changes, individuals and organizations have learned the importance of the role of people in an organization, and how the success of the organization depends on its people. The shift in mindset from “organization man to individualized corporation” (Bartlett & Ghoshal, 2005: 133) has resulted in a situation where an organizations people are its greatest assets. Performance management in today’s knowledge economy is a vastly important system that contributes to the success of an organization in finding and retaining the right people, training and developing these individuals to realize their and the organizations full potential, and as a system of evaluating and rewarding individuals within the organization. In fact the ‘old’ way of operating and the ‘Organization Man’ model (Bartlett & Ghoshal, 2009) are not able to achieve the results required for success in our

constantly changing world. In the 'old' way, according to Bartlett & Ghoshal (2005: 134) "workers' tasks were well defined, measured, and controlled. With the objective of making people as consistent, reliable, and efficient as the machines they supported".

This meant that systems and procedures in place were designed to control workers. However, employees are individuals and this type of forced system neither brought out the best in individuals nor fostered employee motivation and commitment. As noted by Maritz (1995) it is underlying cultural supports that provide a basis for excellent performance by an individual within an organization. A high performance culture facilitates and rewards potential through factors such as a strong system of values and a credible leadership. Today's performance management systems are more refined and are based on the understanding that the dynamic, creative employees that an organization desires and requires today cannot be fitted in to a one-size-fits-all model.

Few studies have been carried out on the dropout issue, not because it is unimportant, but because it is difficult and expensive to locate clients once they leave a Micro Finance Institution. The factors for dropping out identified by previous studies are many and illustrate a wide range of reasons. In overall, the majority of studies found that most clients exit due to organizational failures, idiosyncratic shocks and/or systemic shocks, client maturity and competition (Meyer et al, 2001). However, Pagura, (2004) has taken the debate a step further in making an in-depth analysis of the factors leading to clients' dropouts, using duration models in order to examine the clients decision to remain or exit the borrowing relationship in group loan program state in Mali. In line with the above insights, this study aims to analyze some elements of dropout issue that Pagura, (2004) did not explicitly study, namely (i) the determination of the profile of ex-clients; (ii) the identification of the main reason

leading to dropout and (iii) the determination of the variables which influence the length of time in a SACCO which is the cornerstone of this research.

The greatest business secret in the world is the value of a satisfied customer. A satisfied customer will buy again and again and in large amounts and will be considered retained, thus providing a free yet highly credible advertising. In the business world there are three major challenges, customer attraction, satisfaction and retention. To attract a customer in business, the focus should be put on his needs and his buying behavior. Although majority purchases are made emotionally, boosting customer image and making them feel important is the key to customer attraction Bara, (2001).

Customer retention on the other hand is a strategy whose objective is to keep a company's customer, building a big customer base and to retain their revenue contribution. Customer retention also refers to the creation of loyal customers, who feel satisfied with the services of the micro finance institution's products and come back to buy again and again Mbonigaba, (2008). It also means having the same customers enjoying the same organization's services, clients referencng their friends to a particular organization for services, clients talking favorably about the company and its services, less attention being paid by clients to competing institutions, and clients are positively appreciating and tolerating some problems encountered by the organization Kotler, (2008). Thus customer retention is related to customer satisfaction as dissatisfied customers do not return. It is a tactically driven approach based on customer behavior and a core activity going on behind the scenes in relationship to marketing, loyalty marketing and so forth.

Customer satisfaction is one of the factors of customer retention and as one of the challenges of business today. It is reported that to win a customer (attraction, satisfaction and retention); a business must focus on the needs of customers and his buying behaviors Balunywa, (1995). Customer retention can only be talked of when the company has successfully delighted and satisfied its customers. A satisfied customer will buy again and again and in large amounts and will be considered retained Kambuga, (2000). This is supported by Bara, (2001) who expressed that the greatest business secret in the world is the value of a satisfied customer. A satisfied customer can be considered retained and provides free, yet highly credible advertising.

A customer is not a stranger on our business premises therefore, deserves the best services (Tumwesige 2003). Clients must be sweet talked especially at getting loans, but on recovery they wear different faces. This is contrary to the principle of positive expression and being neutral, Bank of Uganda internal Journal, (2001). Furthermore, Survey, (2000) indicates that customer retention reflects “the mind that customers have about a company and its products or services when their expectations have been met or exceeded and that this state reflects the life time of the product or service experience”.

2.5 Relationship between performance management practices and customer retention

SACCOs

Despite all this international consecration, there are still dropouts from financial institutions. The East African MFIs case illustrates the high rate of dropouts (25%-60%) some MFI can face and that could undermine the success of the programs. Although clients dropout overtime, even from the most successful organisations, in microfinance sector, dropout is portrayed as a negative phenomenon by many practitioners, because both financial institutions and clients have much to gain from a long-term banking relationship. For those

authors, customer loyalty reinforces interactions between clients and MFI, it mitigates the two main problems of credit market: moral hazard and adverse selection and also increases the availability of credit Duflo, (2010).

Meyer and Al, (2001) in their paper examining the determinants of borrower dropouts in Mali, said that retaining clients is very important for financial institutions because it reduces financial institutions' administrative costs, lowers default risks and increases the average loan balance as well as the institution's productivity. This is confirmed by Schreiner, (2004) according to whom, the cost of acquiring new clients is higher than keeping old ones, a conclusion he arrived at when scoring dropouts at a micro lender in Bolivia.

Ongena and Smith, (2001) who have focused more on the client benefit, believed that, by staying with the MFI, clients' income increases because they have an on-going access to financial services which helps to boost their confidence. Moreover, the customer loyalty contributes to lower interest rate (Berger and Dell, 2005) and can also be a competitive advantage value Wright and Al, (2009). However, other practitioners highlight that, this is valid portrayal when MFIs are losing "good" clients. When financial institutions are losing "bad" clients, dropouts can be a positive phenomenon. It is for this reason that many employees, especially credit officers argued in the Hulme et al. (2009) paper presenting East African microfinance institutions that "they have to remove the weed to get a good harvest". In some cases, dropouts may also represent a success, when the client has graduated beyond the need for the financial institutions' services Simanowitz, (2000).

However, whether "good" or "bad" client or graduated client, understanding why clients dropout can provide a valuable source of information about the program. Indeed, by

understanding why clients exit, a clearer picture of financial institutions' strengths and weaknesses can emerge, notably for policies of clients' retention, which is a proof of sustainability Simanowitz, (2000).

According to Murdock et al (2006) MFIs' managers are faced with the issue of attracting and retaining customers and base this effort on the banking service attributes of pricing of service, reputation of bank, services offered, time convenience, location convenience, employee convenience, employee attitudes, ownership of institution, return on investment, security of deposits, physical appearance, and promotion efforts. Murdock et al further state that bank service marketers, in particular, must be sensitive not only to the various characteristics that may be evaluated but also to the unique needs of potential customers. That is to say, if perceived service falls below the expected service; the customers lose interest in the provider (Kotler 2009).

On the other hand, if the perceived service meets or exceeds the customer's expectations they are apt to use the provider again. Customer defection is a problem and customer service an opportunity in both manufacturing and service industries and service quality begins and ends with the customer (Dilworth, J. (2004). This entails that any company interested in retaining customers must focus on customers. Customer service as a concept draws strength from relationship marketing and is a separation from customer attraction, which is inclined towards transactional marketing. Customer service is the act of keeping customers resulting from service quality and customer satisfaction (Ross 2002).

SACCOs with better access to finance are hypothesized to have a higher probability of engaging and performing well in production networks. The potential for credit rationing –

defined as the degree to which credit or loans are rationed, as a result of imperfections in the capital market (Stiglitz and Weiss, 2011) – is thought to be higher for smaller firms. Petersen and Rajan (2010) argue that the amount of information that banks can acquire is usually much less in the case of small firms, because banks have little information about these firms' managerial capabilities and investment opportunities. The extent of credit rationing to small firms may also occur simply because they are not usually well collateralized (Gertler and Gilchrist, 2012). SACCOS that participate in production networks have the probability of better cash flows than those that do not. SACCOS in production networks have more certainty in terms of their production, since most of the time they operate based on larger, stable, and more certain buying orders from other firms in the networks. More formal and modern managerial practice by firms operating in production networks, in addition to the likelihood of more interactions with banks, also helps SACCOS that operate in production networks to gain more 'trust' from banks or other formal financial institutions. All these suggest that highly leveraged SACCOS are expected to have lower probabilities of engaging and performing well in production networks.

Balanced Score Cards map broad performance goals from four perspectives that consider the most important stakeholders (Harrison and Enz, 2005). Companies growing towards a genuine 1-to-1 customer orientation realize focus shifts in their balanced score card over time; from a turnover focus towards a guest life time value focus, from average guest satisfaction to individual loyalty and commitment, from a task and department centric organisation towards a guest need centric organisation, from dispersed learning to a shared and intelligence based learning (Peelen, 2004). Fredrick F. (2006) put forward that the loyalty of customers, employees and investors are the essence of success of any business. In order to

keep track of their loyalty, retention and defection rates must carefully be measured. The links between loyalty and financial results were first documented by Reichheld.

Retention was studied as a result of satisfaction (Skogland and Sigauw, 2004), generally showing only weak links, and as a separate performance area independent from service satisfaction, but rather fostered by customer retention efforts (Mittal et al, 2005). Performance measurement metrics can be classified into different categories: financial versus non-financial; one-dimensional versus multi-criteria (Grabner-Krauter and Moedritscher, 2002); input, management, output and outcome measures (Clark, 2009); hard versus soft (Ang and Buttle, 2002); tangible versus intangible (Llamas and Sule, 2004); and lagging versus leading indicators (Kaplan and Norton, et al, 2009). Managers primarily rely on quantitative performance metrics such as revenue, market coverage, margin, net profit, sales profitability, share of new customers, life time value, frequency of visit etc., but they increasingly include qualitative indicators such as customer satisfaction, customer retention or brand familiarity (Ambler, 2002). Financial indicators have been criticized as being unsuitable for strategic decisions (Kaplan and Norton, 2002). They also have proven to be inadequate for assessing investments of which benefits will be intangible, indirect or strategic (Bukowitz and Petrash, 2009).

From a strategic perspective, Winer (2001) described the CRM performance areas, which typically include customer service, frequency/loyalty programs, customization based on guest profiles, rewards programs and community building. Shoemaker and Lewis (2002) establish that the hotel industry currently uses six value-adding or value-recovery strategies to influence customer retention: financial, saving money on future transactions; temporal, saving time (for example by priority check-in); functional (check cashing, Web site

available); experiential (upgrades or turndown services); emotional (for example customer recognition or more pleasurable service experience); and social (for example interpersonal link with the hotel). Mason (2006) validates the financial and emotional rewards and possible experiential features, but the impact of other strategies appears to be absent or minimal. Bernstein (2009) explains that conversations open the door to presenting the hotel's facilities in a context that is meaningful to the individual guest.

Chances are that if good customers are dissatisfied with the offerings of your institution, they will borrow elsewhere. When an unhappy customer leaves, it is estimated that she will tell at least ten other people of the bad experience. Often, the institution doesn't suspect that a problem exists in the first place, but the result is negative advertising, declining profits, and lost opportunities to serve customers. The good news is that this scenario is avoidable. By actively soliciting complaints, financial institutions can spot dissatisfied customers, resolve their complaints, find ways to meet their needs, and ultimately retain highly-valuable repeat customers who will spread the good news about your institution.

A growing body of evidence show that few micro enterprises experience sustained growth, while the majority grow only a little or maintain their operations at a constant level Kakuru, (2000). It is also unusual for credit to trigger a continuous increase in technical sophistication, output or employment. It is much more common for each of these variables to reach a plateau after one or two loans and remain in a steady state. As far as empowerment is concerned, microfinance services have shown little potential to thoroughly change existing inequalities in power relations or the role of women in society (Buckley 1997; Goetz and Gupta 1996; Hulme and Mosley 1996; Zaman 1998). However, empirical evidence shows that

microfinance interventions have indeed the capacity to reduce poverty, contribute to food security, and change social relations for the better.

In some cases there is also extreme precaution by the loan officers to reduce the amount the customer may access in order to assure the payment. Ironically, however, customers requiring additional amounts will look for other credit providers, increasing the institution's risk. Also, the research in a Central American country revealed different correlation with some customer service satisfaction issues depending on the loan amount. The higher the amount, the lower the satisfaction with "service hours" and "service speed" and also more demands for other financial services as well as fewer requirements of other related services such as training. This shows us how important it is to fine-tune the target and align the capacities of the MFI to the market being targeted.

Although, lowering the interest rate for the best customers has been demonstrated to be an effective short term retention tactic. For now it is complicated to reward customers with good payment behaviour with a lower interest rate, since the budgets and projections of most MFIs work with average pricing, which creates constraints on offering price discounts without negatively impacting MFI income. In fact, MFIs are very inelastic in terms of decreasing interest rates, unless there exists an institutional commitment for improving efficiency and transfer those gains to the clients or the competition forces this efficiency.

2.6 Conclusion

Existing literature about performance management practices and customer service has been reviewed. Areas of studies that were pursued by different scholars were explored in detail. A literature review as a concept has been described in order to get a holistic understanding

before the actual discussion, using the perspective of different scholars. From the above, it is evident that a lot of research has been done on performance management practices in various organizations in other countries especially in the developed countries. However, little research has been done on the efficiency and effectiveness of PMPs in relation to customer retention in most SACCOs in Uganda in general and Kabwoya SACCOs in Kabwoya Sub-County, Hoima district in particular. This study therefore will focus on the relationship between PMPs and customer service in SACCOs.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used during the study. It involves the research design, study population, sample size and selection, sampling techniques, data collection methods, data collection instruments, procedure of data collection, reliability and validity of instruments, data analysis plus measurement of variables about the relationship performance management practices and customer service SACCOs.

3.2 Research design

The study used a cross-sectional research design which was used in assessing respondents' views towards relationship between performance management practices and customer service SACCOs. This type of research design utilizes different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background etc. Cross-sectional research design is designed to look at a variable at a particular point in time and focuses on finding relationships between variables at a specific point in time.

3.3 Study population

In this study, the target population was drawn from Kabwoya SACCOs in Kabwoya Sub-County, Hoima district and included those involved in or with SACCOs and were divided with in four (4) categories comprising of the following: credit Officers, Cashiers, Clients, Managers and other authorized persons.

3.4 Sample size and selection

The respondents comprised of both sexes but of different marital status and age groups and the study used 100 respondents and were selected basing on a table for determining sample size by Krejcie and Morgan, 1970, p.608). Stratified disproportionate random sampling was used to select the respondents from each stratum.

3.5 Sampling techniques

The study used both census (Qualitative) and simple random sampling techniques (Quantitative). A sample of 100 respondents was selected. In selecting the respondents groups, census was used on the categories of respondent who are officials in Kabwoya Sub-County since the entire accessible population (target population) was used as respondents. Simple random sampling was used to other respondent categories and other authorized persons because respondents had equal chance of being selected.

Table 3.1: Category, target population, sample size and sampling technique that were used in the study

Category	Target Population	Sample size	Sampling Techniques
Credit officers	10	10	Census
Managers	3	3	Census
Local leaders	25	24	Simple random sampling
Other authorized persons (Clients)	75	63	Simple random sampling
Total	113	100	

3.6 Data Collection Methods

Data for the research was collected using three methods. These included self-administered questionnaires; focus group discussion and documentary review.

Self-administered questionnaires and focus group discussion were used because they enable the researcher obtain first-hand information from the field. Data was obtained from respondent categories indicated. The type of data included; social demographic characteristics of the respondents (age, gender, level of education etc.), perceptions about the study variable etc. Documentary review enabled the researcher obtain information on already existing literature about the relationship performance management practices and customer service SACCOs. This information was collected from reports, circulars newspapers, Magazines and internet.

3.6.1 Questionnaire survey

A self-administered questionnaire was used in the study and targeted all respondents. Mugenda and Mugenda (2005) states that questionnaires are used to obtain vital information about the population and ensure a wide coverage of the population in a short time. In addition Sekaran (2003) states that questionnaires are an efficient data collection mechanisms where the researcher knows exactly what is required and how to measure the variables of interest. He further asserts that administering questionnaires to number of interest simultaneously is less expensive and time consuming and does not require much skill to administer as compared to conducting interviews.

Closed ended question was used with detailed guiding instructions as regards the manner in which respondents were required to fill them independently with minimal supervision. This made it possible due to the fact that majority of the respondents are able to read and write and

in instances where the respondents were illiterate, a research assist trained by the researcher was used to translate questionnaire into the local language and fill them according to the responses provided by the respondents. Closed ended questionnaire had pre-coded answers according to themes from which respondents were asked to choose the appropriate responses. Respondents were given ample time to fill and return questionnaires later when they are through.

3.6.2 Focused Group Discussion

The purpose of Focus Group Discussions (FGDs) was to obtain information about a group's beliefs and attitudes on the effects of performance management practices on customer service. FGDs were conducted in form of discussions which allowed interaction among all the members of the SACCOs. FGDs gave detailed opinions on a topic. Focus group discussions were conducted in a group of five people together for a discussion on the effects of performance management practices on customer service in SACCOs. The participants had some characteristics in common, such as sex and age; they felt comfortable speaking in the group.

3.6.3 Interviews

Personal interviews were used to collect data from the key informants. This was conducted to the specialist persons with information on the variables. This method was preferred as it gave an opportunity to probe the respondents on the effects of performance management practices on customer service. Some of the questions that were asked in the questionnaire were also asked in the interview guide. This enabled the researcher to triangulate the data collected. This guide facilitated the collection of both qualitative and quantitative primary data.

3.7 Data Collection Instruments

The data collection instruments included structured questionnaires, Focus Group Discussions check list and documentary review check list.

3.7.1 Structured questionnaire form

The study used close ended questionnaire for all respondents. The use of questionnaire enabled the collection of data from a large number of respondents and also enabled respondents to give sensitive information without fear as their personal identity was not needed on the questionnaire. This supports Amin, 2005 (P.270)'s contention that questionnaires offer greater assurance of anonymity thus enabling the respondents to give sensitive information without fear.

Rensis Likert's scale statement having five category response continuum of 5 – 1 was used where 1 meant "strongly disagree", 2 meant "Disagree; 3 meant "No comment" 4 meant "Agree" and 5 meant "strongly agree" with assertion. This was designed to establish the extent to which respondents are in agreement with statements and it was used to measure the variables under study. In using this, each respondent selected a response most suitable to him/her in describing each statement and the response categories weighed from 5 – 1 and average for all items were computed accordingly.

3.7.2 Interview guide

The research instruments were of two categories, namely; interview schedule for structured interviews and interview guide for key informants. The interview schedule and guides were divided into four sections of socio-demographic characteristics, performance management practices, customer service.

3.8 Research procedure used in data collection

After the research proposal was approved and passed together with the research data collection tools, the researcher obtained a letter from the University, granting permission to proceed with data collection and presented it to Kabwoya Sub-County authorities, for acceptance and authorization to undertake the study in their Sub-County.

The authorities' permission to the researcher was of great significance in clarifying and averting suspicion about the study and helped to elicit increased willingness on the part of respondents to be objective and honest while responding to questions posed to them. The letter introduced the researcher as a participant of Kyambogo University and explained the importance and purpose of the research. In addition the letter requested for assistance to be offered to the researcher. The researcher recruited one research assistant to ensure that the influence of personal factors of the research during data collection are minimized by bringing on board a person who was neutral about the research variable relationship and the selected organization of the study. The research assistant also helped in translating the questionnaires into the local language especially among other authorized persons respondent category with low level of education. The researcher trained the assistant for three days before going to the field which ensured quality work. The researcher made contact with the various authorities where the study was carried out and together they made appointments when to carry out the study. This approach enabled proper planning and mobilization of resources on the agreed dates. The researcher together with the assistant went to the respondents and collected data.

3.9 Validity and Reliability of Instruments

3.9.1 Validity

Validity refers to the degree to which results obtained from analysis of the data actually represents the phenomenon under study. The validity of the research instrument was determined by pretesting. Mugenda and Mugenda (2005) assert that pre testing ensures clarity and accuracy of results so that data collected gives meaningful, reliable results representing variable in the study. Pre-testing helped to estimate the time needed to take, to fill the questionnaires, pre-testing was done by administering to ten (10) respondents within the study population but outside the sample. Questionnaires were scrutinized by five colleagues at School of Management and Entrepreneurship for their peer opinion on content and accuracy. Results from the field and opinion of colleagues helped identify gaps and make modifications to the instruments where necessary.

In calculating validity the researcher ensured that questions are relevant in order to ensure that data collected give meaningful and reliable results represented by variables in the study (Mugenda and Mugenda, 2009). The researcher used the following formula to establish validity of the research instruments as seen below.

$$\text{Content Validity Index (CVI)} = [E - N/2] / [N/2]$$

Where E is the number of judges who said it was Essential/Relevant and N the total number of judges.

$$\begin{aligned} \text{CVI} &= [30 - 32/2] / [32/2] \\ &= [30 - 16] / 16 \\ &= 14 / 16 \\ &= \underline{\underline{0.873}} \end{aligned}$$

The overall content validity index (CVI) for instrument was 0.873 implying that it was strongly essential.

If the overall Content Validity Index (CVI) of the instrument is equal to the average acceptable Index of 0.7 or above, then the instrument will be accepted as valid (Amin 2005)

The process involved examining each item in the questionnaire to establish whether the items used bring out what it is expected to. Item analysis was conducted using the scale that runs from Essential (E) or Relevant (R), Neutral (N) or Useful, to Irrelevant (I) or Not necessary

Figure 3.2: Statistical Results for Reliability Analysis (Corrected Item-Total Correlation)

Reliability Statistics

Cronbach's Alpha	Number of items
.907	3

Item – Total Statistics

	Scale mean if item deleted	Scale variance if item deleted	Corrected item – Total correlation	Cronbach's Alpha if item deleted
Planning	6.4000	7.378	.799	.880
Monitoring	5.9000	6.989	.889	.801
Rewarding	5.9000	8.160	.759	.911

Source; SPSS version 17

Analysis of results

Cronbach's alpha has been run for the three Task Value items, the researcher examined the results.. The figure above points to the overall alpha for the three Task Value items. As the

results in Figure 3.2 show, overall alpha is .907, which is very high and indicates strong internal consistency among the three Task Value items.

3.9.2 Reliability

According to Mugenda and Mugenda (2009) reliability refers to the measure of the degree to which a research instrument yields consistent results or data after repeated trials. Cronbach's Alpha coefficient was used to measure reliability of the instruments.

Accordingly to Amin (2005), an alpha of 0.5 or higher is sufficient to show reliability; the closer it is to 1 the higher the internal consistency in reliability (Sekaran 2003). The questionnaire was pre tested using ten (10) respondents within Kabwoya Sub-County and the reliability results were computed using the Statistical Package for Social Scientists (SPSS).

Variable	Alpha Cronbach	Number of items
Planning	.880	10
Monitoring	.801	10
Rewarding	.911	12

3.10 Data analysis

3.10.1 Quantitative data analysis

The quantitative data involved information from the questionnaires only. Data from the field was too raw for proper interpretation. It was therefore vital to put it into order and structure it, so as to drive meaning and information from it. The raw data obtained from questionnaires was cleaned, sorted and coded. The coded data was entered into the Computer, checked and statistically analysed using the Statistical Package for Social Scientists (SPSS) software package to generate descriptive and inferential statistics descriptive analysis was applied to describe the primary variable and associated indicator items related to the study objectives.

The Pearson product correlation Co-efficient analysis was used to test the relationship among the variables and regression coefficient models to determine the extent to which the independent variables impact on the dependent variable. The results were presented in form of tables and charts then discussed in relation to existing literature. Conclusion and recommendations were drawn in relation to the set objectives of the study.

3.10.2 Qualitative data analysis

Qualitative data was collected using focus group checklist during discussions with other authorized persons respondent category in meetings and documentary reviews using documentary checklist. Content analysis was used to edit the data and re-organize it into meaningful shorter sentences.

The data was analysed and organized based on patterns, repetitions and commonalities into themes based on the study variables. The data then was used to reinforce information got from questionnaires to draw conclusion and recommendations.

3.11 Measurement of variables

The variables of the study were measured using the five likert scale. Different variables were measured at different levels.

The variables were measured at nominal and ordinal scale. The nominal scale measurement was used in the first part of the questionnaire (demographics) which comprised items with some common set such as sex, age, marital status, designation and level of education of respondents.

According to Mugenda and Mugenda (2009), nominal scales are assigned only for purposes of identification but do not allow comparisons of the variable being measured.

The researcher used ordinal measurement which categorizes and ranks variable, being measured like uses of statements such as strongly agree, agree, no comment, disagree and strongly disagree (Amin 2005). The numbers in the ordinal scale will represent relative position or order among the variable (Mugenda and Mugenda 1999: Amin 2005). Both nominal and ordinal scales were used to measure discrete variables and only the specified numbers such as 1, 2, 3, 4, and 5 was applied (Amin 2005, P. 11).

Measurement of independent variables

Planning

Strategic planning helps SACCOs reach their goals of outreach and financial viability. Such planning is based on sound financial projections of income, expenses and growth. Careful consideration must be given to all of the factors that influence each projection and the extent to which they are within the institution's control. By analyzing technically coherent financial projections, SACCOs can weigh the impact of various strategies on helping it reach its goals in this regard Kabwoya SACCO train its credit officers on how to handle clients (borrowers).

Because each planning process based on participation of staff from all areas of a SACCOs operations will better identify the factors influencing these variables. Assumptions are keys to the planning process as well. Valid assumptions are justified either on the basis of cumulative institutional experience or through research on similar institutions however; this was not in place at Kabwoya SACCO.

During the field survey by the researcher, it was witnessed that; Kabwoya SACCO formulates its strategic plan and makes financial projections; it identifies the factors most likely to

influence income, expenses and growth. Some of the factors are within the control of the SACCOs, and planning should address appropriate pricing and cost reduction and containment strategies. Other factors cannot be controlled or influenced by the SACCO. Since strategic planning considers these factors as given around which the SACCO must work. Market conditions and client debt capacity are examples of factors outside the SACCOs control. Setting a cost structure appropriate to the environment and implementing a cost control strategy are two of the most important factors over which a SACCO has control. Better cost management increases the chances of reaching financial self-sufficiency, and makes the institution more efficient. Efficiency can mean better, less costly service to SACCO customers.

Monitoring

Monitoring is defined as “the continuous assessment of project implementation in relation to agreed schedules and the use of inputs, infrastructure, and services by project beneficiaries” Evaluation is defined as “the periodic assessment of the relevance, performance, efficiency, and impact (both expected and unexpected) of the project in relation to stated objectives”. Thus monitoring focuses on project inputs and deliverables, whereas periodic evaluation (such as the mid-term review, completion reports, beneficiary assessments, impact studies, and so forth) establishes causality and attribution.

In this regard Kabwoya SACCOs’ monitoring and evaluation systems are designed to inform SACCO management of whether implementation is going as planned or corrective action is needed. A well-designed M&E system provides data on the progress of a SACCO and whether it is meeting objectives. Boards of Directors are widely recognized as an important mechanism for monitoring the performance of managers and protecting shareholders’

interests and hence an important component of internal governance. Whereas it is important to have board of directors in SACCOs, are opposed to the system of electing directors in SACCOs because in their view, Board of Directors create problems in credit unions due to inaccurate representation of owners and unqualified personnel in decision control. The ability of directors to fulfil their role as a monitor or control depends upon their business acumen or management skills. The AMFIU report (2007) indicated that there had been problems of over indebtedness as well as poor management of the loan portfolio. Loan application appraisals and subsequent monitoring by SACCO were all poor leading to high default rates.

Monitoring and evaluation (M&E) are integral tools for assessing the efficiency and effectiveness of investment operations. The design of M&E systems must be undertaken early in project preparation, and M&E systems must come into effect when implementation begins. Early definition of project objectives, identification of sound performance indicators, and clear reporting requirements are important for effective M&E systems.

Rewarding

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspects of the reward proposition and applied the well-designed total reward strategy effectively. According to Armstrong and Stephens, (2006, pg.7) total reward is the combination of both the financial and non-financial rewards made available to the employees. As defined by Manus and Graham in Armstrong and Stephens (2006, pg.13), total reward includes all type of rewards, direct and indirect, as well as intrinsic and extrinsic. Each aspect of rewards is being linked together as an integrated and rational whole.

Meanwhile, World at Work (2007), a global human resources association in US with main focuses on compensation, benefits, work-life and integrated total rewards, has define total rewards as all of the tools available to the employer that may be used to attract, motivate and retain talented employees. It includes everything that the employee perceives to be of value in their employment relationship. Designing a total reward strategy that will ensure a well integrated and cost-effective approach to compensate employees is possible.

The system built will ensure that the variable compensation costs is predictable and controllable, as well as employees have clear understanding about the connections between their efforts, productivity, and performance results, and between company results and their reward opportunities. In a more recent development of total reward strategy, Chen and Hsieh (2006) have shown the trend of reward method is changing from a simplex to a multiplex context due to the rapidly changing environment. The adoption of total reward system will help to retain the best worker and ensure the organization stay in a best positioned for future success. Other than that, World at Work (2007), the total rewards association depicts total rewards into five elements that are compensation, benefit, work-life, performance and recognition, and development and career opportunities; they also take into concern of the external influences on a business, such as legal or regulatory issues, cultural influences and practices, and competition.

This is supported by White (2005) literature which pointed out that a global reward approach required balance degree of global consistency with the local practice and culture to ensure the success implementation of rewards programs both globally and locally. Exhibit 2 summarized on the total reward strategy and its components discussed above.

Political influence

BoU does not exercise prudential supervision over SACCOs, first and foremost, they are forbidden to mobilize deposits from the general public. They can accept only member savings (voluntary deposits and share capital). Yet SACCOs fall under the Uganda Cooperatives Act 1992, which governs all cooperatives and which charges the Ministry of Trade, Tourism and Industry (MTTI) with maintaining a registry of cooperatives and overseeing their functioning and stability Consultative Group to Assist the Poor (CGAP report, 2005)

Kairu (2009) agreed with the research by BoU, asserts that challenges existing among SACCOs in Uganda stem from the fact that these SACCOs are faced with numerous operational hurdles as well as regulatory issues as several of them had collapsed only a year and half after inception. Many SACCOs have fallen victim to poor management (CGAP report, 2006).

Ssemwanga (2009) concurs with CGAP (2006) adding that in the past, management of many SACCOs in Uganda was so poor that most of them collapsed. Vices like conflict of interests, over politicization were a common practice and a lot of members' savings were lost. Kairu (2009) observing that the increase in number of SACCOs coupled with the fact that their formation is driven by membership and mutual benefit, led to wrong elements in community taking the advantage to establish SACCOs under unclear procedures, and disappearing with the mobilized savings resulting into loss of confidence in SACCOs from the poor.

Main governance challenges. According to the CGAP report (2005) SACCOs are usually governed by a volunteer board of directors elected by and from the membership. Labie & Périlleux (2009) assert that one of the governance conflicts in credit unions is the "moral hazard" conflict between "net borrowers" and "net savers". Some clients have more loans than savings, and vice versa creating a division within membership in terms of "net

borrowers” or “net savers” and yet they are all members with same right to influence the management of the structure through the one person one vote system. This creates conflicts; first, the net borrowers can dominate; in this case, the board may tend to prefer too favourable

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents the facts, which the research discovered. The findings were presented in line with the objectives of the study whereby the raw data in form of questionnaires was edited and interpreted which ensured uniformity, legibility and consistency. The data-filled questionnaires were copied and analysed by tallying and tabling in frequency tables while identifying how often certain responses occurred and later evaluation was done. The information was then recorded in terms of percentages. Also, interview results were coded on frequency tables which were calculated in terms of percentages and presented in this study as illustrated below.

4.1 Background Characteristics of the respondents

The Background information of the respondents was important because they comprised of both sexes but of different marital statuses and age groups from various settings. This was intended in order to get a variety of views and unbiased responses which made the study a reality. The respondents were divided into the administrative and general staff groups of SACCOs in Kabwoya Sub-County. The findings are shown in the figures below;

Figure 4.1: Classification of respondents by age

Age of respondents		Frequency	Valid percent
	Under 25yrs	17	17
	25-34 years	25	25
	35-45 years	50	50
	45 and above	08	08
	Total	100.0	100.0

Source; Primary data

Figure 4.1 above show that; the biggest percentage of the respondents were in the age bracket of 35-45 years, followed by 25% of the respondents who were in the age bracket of 25-34 years, then 17% of the respondents were under 25 years of age, implying that; these SACCOs employ mature people who are energetic and help in decision making.

Classification of respondents by gender

During the field survey, it was found out that; females greatly participated in the study as represented by 65% whereas 35% of the respondents were males; implying that these SACCOs greatly avail financial services to females as illustrated below in the figure.

Figure 4.2: Classification of respondents by gender

Gender of respondents		Frequency	Valid percent
	Males	35	35
	Females	65	65
	Total	100.0	100.0

Source; Primary data

Figure 4.1: Classification of respondents by marital status

Years of service		Frequency	Valid percent
	Married	40	40
	Single	36	36
	Separated	20	20
	Living with partner	4	4
	Total	100	100.0

Source: Primary data

An assessment of the respondents' marital status was as follows; the biggest percentage of the respondents were found to be married as shown by 40% where as 36% of the interviewees were single, 04% of them were living with partners but were not officially married lastly 20% of the respondents were separated from their spouses as illustrated in figure 4.3 above.

Figure 2.4: Respondents level of education

Respondents' level of education		Frequency	Valid percent
Valid	Diploma	30	30
	Degree	10	10
	Masters	5	5
	Certificate	40	40
	Others	15	15
	Total	100	100.0

Source: Primary data

The biggest percentage of respondents had their Certificates as it was revealed by 40% of the respondents, then 30% represented respondents who had Diploma's in different fields whereas 10% of the interviewees were Degree holders, 5% of the respondents had attained their Masters and lastly 15% of respondents were qualified in other fields in figure 4.4 above.

Figure 4.3: Number of years of service of respondents

Years of service		Frequency	Valid percent
	1-5 years	25	25
	6-10 years	50	50
	11 and above years	25	25
	Total	100	100.0

Source: Primary Data

From the figure above, it was found out that the biggest percentage of the respondents had worked with the SACCOs for a period between 6-10years as represented by 50% whereas 25% shows respondents who had stayed in the SACCOs for the period between 11+years,

15% represents interviewees who had worked in the SACCOs for the period of 1-5years, implying that they have been employees for a long time thus possess enough experience.

4.2 Objective One: The effect of performance management practices on staff commitment to customer service

The first objective of the study was to assess the effect of performance management practices on staff commitment to customer service in SACCOs in Kabwoya Sub-County. The items showed the average response from the respondents for each item in relation to staff commitment to customer service. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree.

4.2.1 Planning and customer service in SACCOs

Using item means of planning, an assessment of the effects of planning on customer service in SACCOs was carried out. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree. The findings are shown in table 4.1below:

Table 4.1: Frequencies of planning and customer service in SACCOs

	Item	Min	Max	Mean	Std. Dev
1.	Annual and quarterly work plans approved by the AGM exist at the SACCO offices	1	5	2.45	1.23
2.	SACCO members are involved in the formulation of work plans.	1	5	2.74	1.01
3.	SACCO members are involved in the review process of work plans	1	5	2.65	1.10
4.	Plans are drawn in time with clearly allocated resource schedules	1	5	3.45	1.32
5.	Planning meetings for SACCO activities are regularly held as per the schedule	1	5	1.22	0.71
6.	What is planned for is what is implemented by the SACCO staff	1	5	1.33	.719
7.	Regular planning promotes commitment to customer service	1	5	3.47	.652
8.	Planning activities are allocated adequate financial resources	1	5	2.1	.342
9.	Planning enhances retention of SACCO clients	1	5	1.78	1.3
10.	SACCO clients have well organized loan repayment plans	1	5	4.12	2.23

Source: Primary data

The results shown in table 4.1 above reveal that, respondents agreed that annual and quarterly work plans approved by the Annual General Meeting (AGM) exist at the SACCO offices (mean=2.45, agreed). This could be due to the fact that Government guidelines require mandatory annual and quarterly meetings should be conducted to ensure proper planning, monitoring and evaluation of SACCO activities.

Respondents strongly agreed that; SACCO members are involved in the formulation of work plans as revealed by (mean= 2.74, strongly agreed) this was evidenced by the mobilisation

and sensitisation through meetings at all management levels that is BOD receiving draft plans from the staff, discuss and present to the AGM.

Responses on whether SACCO members are involved in the review process of work plans were as follows (mean= 3.45, agreed) as some respondents emphasized that external auditors review and compile report forward to the BOD and finally to the AGM. Equally, UCUSUC, which is a government body, also does review of SACCO planned activities and gives advice where necessary implying that stake holders are given a chance to change their priorities in line with the prevailing and constantly changing circumstances.

Mean= 1.22, strongly agreed that planning meetings for SACCO activities are regularly held as per the schedule using bottom – up approach. This being done by the change agents, monitors together with credit officers at village and parish levels where resolution are forwarded to the BOD and AGM respectively.

As indicated in the above table, what is planned for is what is implemented by the SACCO staff.(mean=1.33, agreed) also this was emphasized by views from FGDs that *“plans would be implemented because SACCO staff move with Board of Director members and the supervisory committee members for mobilization and sensitization and also for loan recovery”*

Responses on whether regular planning promotes commitment to customer service (mean= 3.45 strongly agreed) this implies that with absence of regular planning the employees would not have sense of direction, review and update of activity would not be done and proper decision making.

A mean of 2.1 agreed that planning activities are allotted adequate financial resources however a bigger percentage of the respondents disagreed insisting that the funds were inadequate because sometimes turn-up for meetings would be low or not take place.

Whereas views on whether planning enhances retention of SACCO clients (mean= 1.78, agreed) again this was supported by responses from FGDs that; “*SACCOs help clients to run their day to day income generating activities hence resulting into retention*”. This is attributed to many people accessing loans hence their retention.

Respondents strongly agreed (mean 4.27) that customers/ SACCO have well organised loan repayment programs. This is attributed to the SACCO system of managing loans, for example ledger books showing the scheduled, the human resource involved and the labour officer.

From the same table 1 above, identification of planning in relation to customer service received a weighted mean of 3.52. The findings imply that there was a mechanism of identifying customer needs in the SACCO. In Performance Management Practices, a mechanism of identifying of problems and improvement opportunities is very important as it enables the organization to overcome many challenges. This finding is in line with Ittner, *et al.*, (2001) findings that identifying problems and improvement opportunities improves the alignment between Performance Measurement Systems and the firm’s organizational objectives.

Table 3: 4.1.1; A correlation analysis between performance management practices and staff commitment to customer service

		Performance M'gt Practices	Staff commitment
Performance M'gt Practices	Pearson Correlation	1	.703 **
	Sig. (2-tailed)	.	.000
	N	20	20
Staff commitment	Pearson Correlation	.703 **	1
	Sig. (2-tailed)	.000	.
	N	20	20

** . Correlation is significant at the 0.01 level (2-tailed).

A strong positive relationship ($r=.703^*$, $p<0.01$) was established because .703 is close to 1, with a p-value of 0.000 which is less than 0.01 implying that a positive relationship that was significant at 0.01 level existed between performance management practices and staff commitment.

To further establish the significance of the contribution of performance management practices and staff commitment the coefficient of determination (r^2) was computed. Since $r=0.703$, $r^2=0.644$. This implies that effective performance management practices contributed 64% on the levels of staff commitment of the SACCOs while 36% was contributed by other factors. The implication of the above relationship is that effective performance management practices positively influence staff commitment and therefore reminds the management of Kabwoya SACCOs of the need to effectively streamline performance management practices and strategies if they are to achieve higher levels of staff commitment.

4.3 Objective Two: The effect of performance management practices on customer expectations in SACCOs

The second objective of the study was to examine the effect of performance management practices on customer expectations in SACCOs in Kabwoya Sub-County. The items showed the average response from the respondents for each item in relation to performance management practices on customer expectations. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree.

4.3.1 Monitoring and customer service in SACCOs

Using item means of customer expectations, an examination of monitoring and customer service in SACCOs was carried out. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree. The findings are shown in table 4.2 below:

Table 4: 4.2: Frequencies monitoring and customer service in SACCOs

	Item	Min	Max	Mean	Std. Dev
1.	There is a monitoring team within the SACCO structures on customer expectations	1	5	2.35	1.12
2.	Monitoring is regularly carried out on the SACCO activities	1	5	2.45	.452
3.	Monitoring activities for the SACCO are well facilitated	1	5	3.2	1.11
4.	The SACCO monitoring enhances staff commitment	1	5	1.43	0.72
5.	Monitoring reports are regularly discussed in SACCO meetings	1	5	2.45	00.1
6.	Feedback on monitoring reports is always availed to all relevant stakeholders	2	4	3.25	00.1
7.	Recommendations from monitoring reports are usually implemented by the SACCO staff.	1	5	3.33	2.06
8.	Monitoring promotes customer expectations	2	4	4.35	1.1
9.	There is an established appraisal mechanism for the performance of SACCO staff.	1	5	4.15	1.21
10.	There is continuous monitoring of the SACCO activities from supervisory bodies like UCUSCU and microfinance support centre	1	5	4.20	1.10

Source: *Primary data*

Results in Table 4.2 indicate that; respondents agreed (mean = 2.35, agreed) that; there is a monitoring team within the SACCO structures on customer expectation similarly, respondents agreed (mean = 2.45, agreed) that monitoring is regularly carried out on the SACCO activities, and this was supported by views from Board of Director members that; *“monitoring was regularly done however, some factors like loan recovery in time by some defaulters who let down the SACCO”* whereas it was established that monitoring activities for

the SACCO are well facilitated (mean = 3.2, strongly agreed) as views from FGDs revealed that the *“SACCO has three categories of monitoring i.e. Loans’ officers, Monitors and Credit officers for this case only credit officers would be facilitated”* whereas views whether the SACCO monitoring enhances staff commitment respondents (agreed=1.43) and responses on if monitoring reports are regularly discussed in SACCO meetings respondents (strongly agreed=2.45), *“FGDs revealed that monitoring reports are discussed by the BoDs ”* and views on whether monitoring promotes customer expectation respondents (strongly agreed=4.35) *“Rwehikya a respondent said that; regular monitoring for both SACCO staff and clients enhances customer expectation, since when staff is well monitored they performance to satisfy the SACCO management as well as the clients ”*.

The study findings show that; feedback on monitoring reports is always availed to all relevant stakeholders respondents (disagreed=0.01) while views on whether recommendations from monitoring reports are usually implemented by the SACCO staff respondents (strongly agreed=3.25) and this was highlighted by views from FGDs *“especially loan recovery some clients would be discriminated”*, respondents (strongly agreed=4.15) and similarly respondents (strongly agreed=4.20) there is an established appraisal mechanism for the performance of SACCO staff as views from FGDs revealed; *“appraisal would be done to clients who would want to loans before actually get them, also staff (credit officers) would be appraised on their performance for example mobilization for new clients and loan recovery”* and then, there is continuous monitoring of the SACCO activities from supervisory bodies like UCUSCU, BUTO and microfinance support center as illustrated in table 4.2 above.

Also, evaluation of managerial performance received a weighted mean of 3.23. This was an indication that the practice was undertaken in the SACCOS. This finding agrees with, Otley,

(1999), who held that evaluation of managerial performance contributes to a large extent the formulation of strategic plans. An organization like these SACCOs in Hoima district may need evaluation of managerial performance results in order to shape up and remain relevant in the banking industry.

SACCO sharing financing reduces the monitoring cost to minimum level. As SACCOs only finance asset purchase requirement using profit and loss sharing loan hence it reduces the risk of loss to possible lower level. Further, ownership of the traded asset remains under the custody of the SACCO as per Profit and Loss sharing financing. Ownership is only transferred after the successful payment of the cost plus profit amount of the proposed asset. If customer successfully pays the total amount within the projected time period then the ownership of the asset is transferred to the customer.

So in order to become the sole owner of the asset and to pay off the liability customer is bound to pay all the installments of cost plus profit as agreed in the contract. However, if due to some reason customer is unable to repay the agreed amount or after some installments he is failed to carry on the transaction then special flexibility in payment period is granted to the customer. Hence customer can inform the SACCOs that he needs more time to pay the amount due to critical nature of the business or some underlying problems.

But if the customer is making default and willingly refused to pay the specific installment amount then SACCOs can ensure repayment of the amount with the help of recovery and collection department. Who can use the group pressure and delegated monitoring techniques to enforce the customer to pay back the due amount in every possible way. Nevertheless, if no option is remaining and customer has gone SACCO corrupt and its business is gone in loss

then as the last option. SACCO has the right to sell the asset to fulfill the loss according to terms and conditions of Profit and Loss sharing financing contract.

Table : 4.2.1; A correlation analysis between the effects of performance management practices on customer expectation in SACCOs

		Effects of Performance M'gt Practices	Customer Expectation
Effects of Performance M'gt Practices	Pearson Correlation	1	.603 **
	Sig. (2-tailed)	.	.000
	N	30	30
Customer Expectation	Pearson Correlation	.603 **	1
	Sig. (2-tailed)	.000	.
	N	30	30

** Correlation is significant at the 0.01 level (2-tailed).

A strong positive relationship ($r=.603^*$, $p<0.01$) was established because .603 is close to 1, with a p-value of 0.000 which is less than 0.01 implying that a positive relationship that was significant at 0.01 level existed between the effects of performance management practices on customer expectation.

To further establish the significance of the effects of performance management practices on customer expectation the coefficient of determination (r^2) was computed. Since $r=0.603$, $r^2=0.603$. This implies that effective performance management practices contributed 60% on the levels of customer expectation of SACCOs while 40% was contributed by other factors. The implication of the above relationship is that effective performance management practices positively influence customer expectation and therefore reminds the management of the SACCOs of the need to effectively streamline performance management practices and strategies if they are to achieve higher levels of customer retention.

4.4 Objective Three: The relationship between performance management practices and customer retention in SACCOs

The third objective of the study was to establish the relationship between performance management practices and customer retention in SACCOs in Kabwoya Sub-County. The

items showed the average response from the respondents for each item in relation to relationship between the two variables. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree.

4.4.1 Performance management practices and customer retention in SACCOs

Using item means of the relationship, the assessment of performance management practices and customer retention in SACCOs was carried out. The items were rated on the 5 point likert scale ranging between strongly disagree, disagree, not sure, agree and strongly agree. The findings are shown in table 4.3 below:

Table 4.3: Frequencies of Rewards and customer service in SACCOs

	Item	Min	Max	Mean	Std. Dev
1.	There is an established mechanism for rewards in the SACCO	1	5	1.78	1.39
2.	There are regular rewards for good performance in the SACCO	1	5	3.92	0.91
3.	The reward mechanism within the SACCO is fair to all stakeholder	2	4	2.23	1.11
4.	Rewards increase commitment to better customer service delivery in the SACCO	2	4	2.00	1.00
5.	SACCO client retention is enhanced by rewards	2	4	1.95	1.05
6.	Rewards promote customer satisfaction	1	5	4.14	0.67
7.	Rewards promote a sense of ownership among SACCO stakeholders	1	5	4.00	0.76
8.	There is need for rewards offered by the SACCO to be more fairer and equitable	1	5	1.78	1.39
9.	Employees receive recognition for their work at least on a quarterly basis	1	5	3.92	0.91
10.	Workers are paid more competitively for their skills	2	4	2.23	1.11
11.	Employees leave if other SACCO offered them more money	2	4	2.00	1.00
12.	Management give reward for extra efforts	2	4	1.95	1.05

Source; Primary data

According to table 4.3; respondents disagreed that they get rewarded for their efforts (mean = 1.78, strongly disagree). Respondents agreed that the rewards by the SACCOs are not fair and equitable (mean = 3.92, strongly agreed). Respondents disagreed that they have received recognition for their work in the last three months (mean = 2.23, disagreed). Respondents disagree when asked if the SACCOs offer a competitive benefits package (mean = 2.00, disagreed). Respondents disagreed that they are paid competitively for their

skills (means = 1.95, disagreed) as views from FGDs *“suggested that; rewards would be given at the end of the year at a get together part for SACCO stakeholders”*. Respondent agreed that monetary compensation is important to them (mean = 4.14, strongly agreed). Rewards promote a sense of ownership among SACCO stakeholders (mean = 4.00, strongly agreed) as this was supported views from FGDs *“if clients would pay their loans in time, they deserve to be rewards inform of recognition, more loans and even be offered holiday trips, this would enhance a sense of ownership”* equally employees more so credit officers would be rewarded if loan recovery is done efficiently”.

According to table 4.3, frequencies on whether there is need for rewards offered by the SACCO to be more fairer and equitable were as follows; (mean = 1.78 disagreed) with the statement on where employees receive recognition for their work at least on a quarterly basis (mean = 3.92 strongly agreed). Respondents agreed that; workers should be paid more competitively for their skills (mean = 2.23 agreed) as responses from FGDs revealed that *“workers would not be paid competitively for their skills because of insufficient funds, and this sometimes breed employee job dissatisfaction hence some employees leaving the SACCO”*. And views on whether employees leave if another SACCO offered them more money respondents (mean = 2.00 agreed). Lastly views whether management get me rewarded for my efforts (mean = 1.95 disagreed).

Table 4.4; A correlation analysis between the effects of performance management practices and customer retention in SACCOs

		Effects of Performance M'gt Practices	Customer Retention
Effects of Performance M'gt Practices	Pearson Correlation	1	.350 **
	Sig. (2-tailed)	.	.000
	N	30	30
Customer Retention	Pearson Correlation	.350 **	1
	Sig. (2-tailed)	.000	.
	N	30	30

** . Correlation is significant at the 0.01 level (2-tailed).

A strong positive relationship ($r=.350^*$, $p<0.01$) was established because .350 is close to 1, with a p-value of 0.000 which is less than 0.01 implying that a positive relationship that was significant at 0.01 level existed between the effects of performance management practices on customer retention.

To further establish the significance of the effects of performance management practices on customer retention the coefficient of determination (r^2) was computed. Since $r=0.350$, $r^2=0.300$. This implies that effective performance management practices contributed 70% on the levels of customer retention of SACCOs while 30% was contributed by other factors. The implication of the above relationship is that effective performance management practices positively influence customer retention and therefore reminds the management of the SACCOs of the need to effectively streamline performance management practices and strategies if they are to achieve higher levels of customer retention.

4.5 Pearson Correlations

Pearson Correlations were derived by assessing the degree of variations in the dependent variable (customer service) and the independent variable (performance management practices) vary.

Table 7 4.5; A correlation Analysis between performance management practices and customer service

		Performance M'gt Practices	Customer service
Performance M'gt Practices	Pearson Correlation	1	.794 **
	Sig. (2-tailed)	.	.000
	N	20	20
Customer service	Pearson Correlation	.794 **	1
	Sig. (2-tailed)	.000	.
	N	20	20

** . Correlation is significant at the 0.01 level (2-tailed).

Results in table 4.4 indicate that there is a significant positive relationship between performance management practices and customer service ($r = .792 > 0.02$). This means that the more the effectiveness of performance management practices, the more customer service appreciation. By comparing the significance of the correlation ($p = .000$) to the recommended significance at 0.01. Given that the p value was less than 0.01, the null was rejected and the research hypothesis was accepted and it was concluded that there is a strong positive relationship between performance management practices and customer service.

The result implies that there is a general satisfaction on the way SACCOs carry out their business transactions. It is crucial that the management addresses fully the advancement of all forms of loans to members which is the core business of the SACCOS. Through the full utilization of services, Kabwoya SACCOs should provide a full range of basic financial services and consolidate these services to the full satisfaction of members. This finding

contradicts Kaplan, et al (1992) findings where they found no evidence that high satisfaction levels translate into improved performance of financial services. This contrast was probably due to the fact that Kaplan, et al carried their research on a larger sample size as compared to this study.

CHAPTER FIVE
DISCUSSION OF FINDINGS, SUMMARY, CONCLUSION AND
RECOMMENDATIONS

5.1 Introduction

This chapter mainly dealt with summary of key findings, conclusions and recommendations related to the relationship between performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) using Kabwoya Sub-County, Hoima District as a case study all was being drawn from the findings and analysis made after conducting the study. The performance management practices' aspect were characterized by; decision-making, managerial action allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet goals among others while customer service was characterized by level of satisfaction of both internal and external SACCO staff and meeting the expectations of customers among others.

5.2 Discussion of the Findings

5.2.1 Objective One: The effect of performance management practices on staff commitment to customer service

Results in the multiple regression model (Table 4.1) addressed the first study objective.

The findings revealed a significant positive relationship between performance management practices and staff commitment which implied that when SACCOs possess the ability to acquire knowledge, disseminate information, interpret information and organizational memory, this would enhance their performance however; such information was lacking in Kabwoya SACCO as one of the respondents argued that "*plans at times could not be drawn in time due to insufficient funds*". The findings are in line with the assertions of Stiglitz and

Weiss, (2011), who highlighted that efficient performance management practices create new knowledge which can help firms respond quickly to customers' needs and industry changes. This also receives support from the work of Farr Reid (2012) who established that organisational learning yields promising results in organisations. On the other hand, Farrell (2009) found that performance management practices have a positive effect on employee commitment and esprit de corps, and on organisational performance. In line with the finding of other studies, Nel *et al.*, (2011), deduced that in an environment in which performance management practices is encouraged, individuals will be motivated, encouraged to learn, develop and share new skills and knowledge, thereby facilitating an improved firm performance hence leading customer retention.

5.2.2 Objective Two: The effect of performance management practices on customer expectations in SACCOs

Findings indicated that performance measurement information used by these SACCOs have positively impacted on customer satisfaction's enterprises in terms of productivity, profitability and business sustainability. However, some respondents from Kabwoya SACCO were not in position to increase on their savings level which has made them to entirely depend on loans for business financing. Nevertheless, creditors officers at Kabwoya SACCO does not monitor and appraise loan borrowers as one of the respondents "*asserted that clients' appraisal would be done by loans' officers and also feedback would made by change agents, monitors and delegates*". This is in line with the findings by Kaplan, N., et al (2002), who found out that micro finance institutions were really assisting the less poor women to improve their welfare whereas the poorer women become worse off. This is evidenced from the respondents of Kabwoya SACCOs in Hoima District where half of the respondents indicated that they had not realized growth in savings despite the continued access to loans

plus the low levels of profitability since all the funds they get are used to service the loans in form of the weekly repayments.

Further findings revealed that; networks among the customers and SACCOs have been argued to improve performance of the enterprises in form of improved sales, profitability and asset base. The research findings indicated that there is a significant positive relationship between performance management practices and customer satisfaction. This concurs with Fermilab (2013) who contends that networks have a positive impact on performance together with Chapman (2007) who indicated that networks enable firms to concentrate on core competence and achieve economies of scale. However, despite the potential benefits accruing from the borrowers, existing evidence shows that the set agreed-upon performance goals are not well achieved among the borrowers' enterprises. This further concurs with the findings by De Waal (2004), who indicated that most small and medium enterprises do not belong to business support groups and have limited interaction with business enterprises that are bigger than their own.

5.2.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs

Results in Table 4.3 revealed agreeable significant positive and moderate relationship between performance management practices and customer retention in SACCOs, which suggested that when SACCOs have a good organizational culture, processes and required competences, this would enhance their service delivery to customers. However, one of the respondents argued that *“rewards offered to borrowers play an important role as far as client retention is concerned alternatively one of SACCO delegates stressed out that if offered such rewards it could increase of their commitment which results into employee job satisfaction”*.

According to Spangenberg and Theron, (2011), the customer perspective of newness necessitates a change in consumer behaviour to accommodate new product usage conditions. On the other hand, the uniqueness/superiority aspects of product innovation suggest that firms operationalize incompatible differentiation in product attributes so as to develop competitive advantage difficult to copy by competitors Peelen (2004). Mason (2006), contend that product innovation is associated with newness to the firm; product uniqueness; and product superiority. To realize the newness of product, a firm would pursue innovative imitation of competitors' products, new product invention, and improvement or modification of the existing products.

5.3 Summary of findings

The correlation analysis revealed that the inherent constructs of performance management practices in particular (planning, monitoring and rewarding) related significantly and positively with customer retention of Kabwoya SACCO's services. This postulates that when effective performance management practices are in place it gives priority to staff commitment in terms of trainings to enhance their skills and experience, service delivery to customers improve, leading to customer expectation and retention. The ability of managers, BoDs of Kabwoya SACCO to lead staff through team work improves their relations with customers as this can be done by monitoring the loan portfolio performance, assessing SACCO performance basing on the number of customers served, communicating targets to staff in advance before work sessions begin.

Supervisors and BoDs at Kabwoya SACCO were noted for participating in loan appraisal sessions with credit staff although this was not common to all loans appraised but an analytical appraisal was done by SACCO credit committees before disbursements. Further findings revealed that; team building among staff in SACCO perpetuated successful

performance among staff when measured by the number of customers served as a result of employee attitude.

The regression analysis showed that effective performance management practices predict 27.5% of the changes in customer retention in SACCO whereas customer service predicts 25.8% of the changes in customer expectation meaning that SACCO can retain customers by 27.5% and 25.8% when they focus on empowering employees with skills to improve service delivery which increases the access to financial services. The same findings revealed that regulated SACCO can easily employ skilled manpower who work by listening to customer complaints and preferences in addition to the training of customers on the use of financial products which impacts on ways of loan recovery.

Correlation analysis revealed that the performance management practices and customer service have positive relationship ($r=0.630$, $p<.01$). This shows that changes in the performance management practices will have an effect on the degree to which SACCO can reach customers who are excluded from financial services by other financial intermediaries in form of outreach. In addition, the regression model shows that the performance management practices can predict changes in customer retention as compared to customer service which can predict changes in customer retention. SACCO can use the effective PMPs to induce outreach and such strategies can range from lowering interest rates, reducing loan documentations to save customers' time from filling in documents and monitoring customers as they service loans.

The results of the Pearson correlation showed a significant and positive relationship between performance management practices and customer retention, that is ($r=.350^{**}$, $p<.01$). This means that when SACCO services are extended nearer to customers and at the same time offered in a variety like business loans, capital start up loans, most customers find it

convenient to remain accessing such financial services without changing service providers leading to customer retention. This implies that SACCO should endeavour to develop as many services and products as possible by undertaking business development strategies of developing products which are of higher quality to customers to impact on customer retention.

5.4 Conclusions

The conclusions of the study were made in accordance with the study objectives as follows:

5.4.1 Objective One: The effect of performance management practices on staff commitment to customer service

The findings revealed a significant positive relationship between performance management practices and staff commitment which implied that when SACCOs possess the ability to acquire knowledge, disseminate information, interpret information and organizational memory, this would enhance their performance. This is confirmation that SACCOs' willingness to embrace staff commitment during their work processes would have positive effect on the performance of SACCOs.

Further conclusion established that; employees' trust is an important factor for the successful implementation of far-reaching changes, such as introducing a new performance management system like the MBOs. The study results suggest that the revised trust-building model, the trust building cycle, is useful in creating or recreating this necessary trust. The employees from the SACCOs are common in their opinion that all stages of the trust-building cycle help them regain trust in the MBOs, indicating that the organization's managers should dedicatedly work on satisfying the requirements of the stages in the cycle. Employees are the

medium through which managers and the organization either succeed or fail. To help them perform at peak levels when implementing the MBOs, the manager must therefore diligently work to establish trust with them.

5.4.2 Objective Two: The effect of performance management practices on customer expectation in SACCOs

From the findings a significant and positive relationship between performance management practices and customer satisfaction was revealed which is an indication that the more the SACCOs were willing and prepared to avail service to borrowers, the more governance structures, processes and competences would improve. This suggests that for the SACCOs to become more innovative in their work processes there were need for them to become goal oriented as staff; this would enhance their competitiveness as far as customer satisfaction is concerned.

In addition, dishonest, frauds and misconduct among employees are looming hence being a challenge to the institution's performance. As incidences impair the functions of SACCOs, there should be a question on functionality and effectiveness of internal control procedure of loan approval by the concerned department. In this regard, the SACCOs should improve the remunerations to its employees, in order to motivate them for effective and efficient performance. The management of SACCOs should revisit their internal procedures in a bid to seal off loopholes that facilitates frauds and misconduct among employees. Policies which do not address the delinquent loan problems aggressively attract arrears within the financial institutions. Strict policies that make both credit officers and customers responsible should be encouraged.

However, in spite of all endeavours something may still go wrong and the most promising customers may turn into passive or even dissatisfied clients. Then it is time for your recovery policy to prove its efficiency. If your company can turn dissatisfied or passive customers into delighted and happy clients, if it can cipher out discontentment at its early stages then you can kick-start profitable relationships with your customers anew.

5.4.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs

The findings revealed a significant and positive relationship between performance management practices and customer retention which suggested that when SACCOs have well maintained structures, processes and required competences, this would enhance customer retention. The higher the level of innovation among employees the likelihood that SACCOs will remain competitive in this volatile world economy. Therefore, borrowers need to look at developing better strategies of producing cost effectively and marketing in their business enterprises. Because customer segmentation is a critical means of customer evaluation. It is no secret that not all customers have similar value for a business. For survival and prosperity sake, businesses have to make a choice and invest money and effort into building strong relationships with those clients that will bring affluence and success to the company.

5.5 Contributions of the study

To the SACCOs, the study will bring out awareness in its performance management practices in relation to customer handling as far as transacting business is concerned. This will give a guideline to management in taking corrective measures thus strengthening its procedures on service delivery.

To the public, the study is expected to provide information to policy makers, implementers, and researchers in organizations and the general public at large.

The study will add on existing literature and knowledge. This will provide guidance and reference to future researchers and students during their studies as secondary data for literature review.

5.6 Recommendations

In view of the above conclusion this study makes several recommendations about performance management practices and customer service and these include;

5.6.1 Objective One: The effect of performance management practices on staff commitment to customer service

The study shows that where staff commitment exists, the quality of service is enhanced; the study established that organizational culture is less likely to influence customer service since it portrays no significance. The nature of service quality offered by the SACCO and the manner in which employees are committed to doing their work significantly determines customer service as per study findings.

In this regard, Kabwoya SACCO's management should put specialization into practice where each employee will be assigned what he can do easily and best. It should ensure regular departmental transfer to enhance efficiency.

5.6.2 Objective Two: The effect of performance management practices on customer expectations in SACCOs

Last but not least, since performance management practices and service quality are paramount to customer expectations, because when SACCO staff possesses the ability to acquire knowledge, disseminate information, interpret information and organizational memory, this would enhance their performance which will positively impact on customer expectation's enterprises in terms of productivity, profitability and business sustainability.

With the above findings, the study recommends Kabwoya SACCOs to enter into partnership with other financial organizations to provide money transfer services to its members and the public. This will create an income stream. Example of such partnership organizations are Uganda Union of Savings and Credit Organizations (UUSCO), MFIs among others.

Loan officers should emphasize constant monitoring and training of clients on how to manage their businesses in order to pay back the loan promptly. These will reduce client diverging loaned money for other purposes other than the intended one and hence fail to pay back the loan.

5.6.3 Objective Three: The relationship between performance management practices and customer retention in SACCOs

As evidenced by the results from interview guides by key informants "*SACCOs help clients to run their day to day income generating activities, supporting them with incentives, advising them accordingly all these result into retention*", performance management practices is crucial in influencing customer retention at Kabwoya SACCO, therefore it is important that management puts more emphasis on improving the quality of service offered to customers especially providing service in a timely manner as promised to the customers.

5.7 Areas for further study

An establishment of the relationship between performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) in Kabwoya Sub-County, Hoima District being wide and vital area in as far as financial intermediaries is concerned; the researcher cannot claim that he has exhaustively and accurately looked into this area. This is because of the limitations by the scope of the study and therefore the area below could warrant further research.

- An important area for further study is to establish the effect of motivation of loan officers on loan recovery.
- Further research should also explore how credit-monitoring policies affect loan recovery in SACCOs.

REFERENCES

- Abraham (2010), *Business performance management: current state of the art*. Cranfield School of Management, Cranfield University & Hyperion
- Abraham (2010), *Management control systems – Performance measurement, Evaluation and Incentives*. Prentice Hall, New York
- Ahrens and Chapman (2007), Facts and figures, College of Business Administration, Dar Es Salaam, October
- Ambler, (2002), ‘The experience and evolution of trust: Implications for Cooperation and Teamwork’, *The Academy of Management Review*, 23.
- Amin, (2005) *Handbook for qualitative research*. Thousand Oaks, Kampala: Fountain Publications. Rensis Likert’s
- Ang and Buttle, (2002), ‘The Trust Requirement in Advance Manufacturing Systems’, in *Proceedings of the 3rd International Conference on Engineering Design and Automation*, Vancouver, edited by Integrated Technology Systems, Inc. Llamas and Sule, (2004);
- Appelbaum, (2002), The usefulness of a performance measurement system in the daily life of an organization: a note on a case study. *British Accounting Review*, 35, 367–384
- Argyris, Schein, (2009) Balanced scorecard in Indian companies, *The Journal of Decision Makers*, 30, 2: 11-25
- Armstrong & Baron (2005), *Culture’s consequences – comparing values, behaviors, institutions and organizations across nations*. 2nd edition, Sage publications, Thousand Oaks
- Balunywa, (1995). Is the Balanced Scorecard Applicable in Uganda Faso’s State-Owned Companies? Paper for EDHEC conference, Nice, September

- Bara, (2001). Behavioural factors important for the successful implementation and use of performance management systems, *Management Decision*, vol. 41, no. 8
- Bartlett & Ghoshal, (2005) The new public management in developing countries, IDPM Public Policy and Management working paper no. 13, November
- Berger and Dell, (2005), *Qualitative Research Design: An Interactive Approach*. In Arksey, H. and Knight, P. (Eds). *Interviewing for Social Scientists*. London: SAGE publication.
- Bernstein (2009), 'An empirical investigation of the performance consequences of non-financial measures', *Journal of Management Accounting Research* 15: 193-223.
- Bititci, Vroom, V & Yetton, P (2012) 'The Impact of New Forms of Work Organization on Workers' in Murray, G., Belanger, J., Giles, G. and Lapointe, P. *Work and Employment Relations in the High- Performance Workplace*, London.
- Bolino & Turnley, (2013), *Translating strategy into action - the Balanced Scorecard*. Harvard Business School Press, Boston
- Bolino & Turnlmey, (2013). New public management and development: the case of public service reform in Tanzania and Uganda.
- Boston et al. (2006), Management control systems and strategy: a critical review. *Accounting, Organizations and Society*, 22(2): pp 207-232.
- Brown & Armstrong (2009) The contemporary performance measurement techniques in Egypt: a contingency approach, Paper presented during the EDHEC conference, Nice, September
- Buckley 1997; *The use and usefulness of performance measures in the public sector*, CMPO Working Paper Series, no. 03/073, May.

(BMAU) brief (2009), 'Cooperative traditions in Anglophone countries', Report in Essential Research For a Cooperative Facility for Africa, ILO, Geneva, Mimeo. Kenya Women finance trust.

Bukowitz and Petrash, (2009). 'Trust in the face of conflict: the role of managerial trustworthy behaviour and organizational context', *Journal of Applied Psychology*, vol. 87, no. 2: 312-319.

Calabrese (2002), Institutionalized norms of conducting research and social realities: a research synthesis of empirical works from 1983 to 2002, *International Journal of Management Review*, 7, 1: 1-24

Carey, Dowling, Grobler, Holland & Wörnich, (2003), Economic transition, strategy and the evolution of management accounting practices: the case of India, *Accounting, Organizations and Society*, 24, 5&6: 379-412

Chapman (2007), Management: A Theoretical Analysis", *Journal of Marketing Research*, Vol. 24

Clark, (2009), 'Monitoring the strategically important: assessing and improving strategic tracking systems', in A Neely, ed., *Performance measurement—past, present, and future*, Centre for Business Performance, Cranfield University, Cranfield: 137-144.

Covert (2007), *Mastering business in Asia: succeeding with the balanced scorecard*, John Wiley & Sons Asia, Singapore

De Waal (2004), *Managing cultural differences: strategies of competitive advantage*.

De Waal (2012: 367), The balanced scorecard: measures that drive performance. *Harvard Business Review*.

De Waal and Covert (2007) *Exploring culture: exercises, stories and synthetic cultures*, 1st edition, Intercultural Press, Yarmouth, Maine

- De Waal, A. A. and COUNET, H., 2009. Lessons learned from performance management systems implementations. *International Journal of Productivity and Performance Management*. 58 (4): 367–390.
- De Waal, A.A, (2013), Co-operative and the Millennium Development Goals, ILO, Nelson Publishers, Geneva.
- De Waal, A.A., 2004. Stimulating performance-driven behaviour to obtain better results. *Journal of Productivity and Performance Management*. 53 (4): 301–316.
- Dilworth, J. (2004), The effect of national culture on management control and incentive system design in multi-business firms: evidence of intracorporate isomorphism. *European Accounting Review*, 12, 2, 263-285
- Duflo, (2010).Is the Balanced Scorecard Applicable in Burkina Faso’s State-Owned Companies? Paper for EDHEC conference, Nice, September
- Fermilab (2012), Can organizational empowerment work in multinational settings? *Academy of Management Executive*, 16, 1, 102-115
- Fermilab (2013), An empirical investigation of the performance consequences of non-financial measures. *Journal of Management Accounting Research*, 15, 193-223
- Ferreira and Otley, (2004), Strategic corporate plan 2000/01-2004/05, College of Business Administration, Dar Es Salaam
- Foster, Creelman, Davis, and Albright. (1996), International Business, 10th edition, Pearson Education Inc., Upper Saddle River, NJ
- Fredrick F. (2006), ‘Repairing the breach of trust in corporate governance’, *Corporate Governance*, vol. 12, no. 2: 143-152.
- Galford & Drapeau, (2004) Big winners and big losers, Wharton School Publishing, New

- Gertler and Gilchrist, (2012), National culture and classical principles of planning. *International Journal of Cross Cultural Management*, 10, no. 1: 29-39
- Goetz and Gupta 1996; 'Devising a trust model for multiagent interactions using confidence and reputation', *Applied Artificial Intelligence*, vol. 18, issue 9/10:833-852.
- Grabner-Krauter and Moedritscher, (2002), 'Management by trust: a conceptual model', *Group & Organization Studies*, vol. 8, issue 4: 375-401.
- Green Tzafir, SS, Harel, GH, Baruch, Y (2011), Interorganizational and collective strategies in small firms: environmental effects and performance. *Journal of Management*, 18, 4, 695-715
- Hacker Beslin, Reddin. (1999), The international diffusion of new management accounting practices: the case of India, *Journal of International Accounting, Auditing and Taxation*, 10, 1: 85-109 Hall, London.
- Harrison and Enz, (2005), 'Perceived trustworthiness within the organization: the moderating impact of communication frequency on trustor and trustee effects', *Organization Science*, vol. 14, no. 1: 32-44.
- Haskel and Hawkes (2010), An investigation of the effect of balanced scorecard implementation on financial performance. *Management Accounting Research*, 15: 135-153
- Hulme and Mosley 1996; 'An empirical investigation of the performance consequences of non financial measures', *Journal of Management Accounting Research* 15: 193-223.
- Hulme, Eagleson, Waldersee. (2009) *Statistics and quantitative analysis*. Unpublished Research Design Decisions for the People-Environment-Education Interface short course notes. Grahamstown: Environmental Education Unit, Rhodes University.
- Ittner, Foster, SF, Heling, GWJ, (2001), 'The consequences of emerging HRM practices for employees' trust in their managers', *Personnel Review*, vol. 33, issue 6: 628-647.

- Ittner, Larcker and Randall, (2001), "Consumer Bank Selection Attributes of Choice" in Terrance A Shimp et al eds., *A.M.A Educators Proceeding*, American Marketing Association, USA (1996)
- Kakuru, (2000). 'Strategic information management and the balanced scorecard', in Michigan, Longman Publishers
- Klasson, B Loughridge & S Loof (eds.) *New fields for research in the 21st century: proceedings of the 3rd British-Nordic conference on library and information studies*
- Kambuga, (2000). Management accounting change in South Africa, case studies from retail services, *Accounting, Auditing and Accountability Journal*, 17, 5: 675-704
- Kaplan and Norton, (2002), *Translating strategy into action: the balanced scorecard*. Harvard Business School Press, Boston.
- Kaplan, N., Schiemann, WA & Lingle, JH (2002), *Advanced Financial Accounting*, 7th edition, prentice Hall.
- Kaplan, Reina, DS & Reina, ML (2010), *Measuring Performance for Business Results*, Chapman.
- Karns (2010), Corporate culture and organizational performance. *Journal of Managerial Psychology*, 19, 4, 340-359
- Kottler (2009), *Performance management and control systems for implementing strategy: text & cases*. Prentice Hall, New York
- Langfield-Smith, (2007), *Aligning strategic performance measures and results*. New York, NY: The Conference Board.
- Langfield-Smith, (2007), *The Development of Co-operative Law and Policy in Kenya*, Oscar Publishers, Nairobi
 News Magazine, Mwalimu Sacco News, (2004), November Issue 2, Nairobi

- Liu and Arnett, 2000; Performance management model, a systems-based approach to performance management practices
- Llamas and Sule, 2004); 'Performance measurement in public sector services: problems and potential', in A Neely, A Walters & R Austin (eds.), *Performance Measurement and Management: Research and Action*, Cranfield School of Management, UK.
London
- Maritz (1995) Getting it together or not. An analysis of the early period of Tanzania's move towards adopting performance management systems, *International Journal of Public*
- Mason (2006), *The use and usefulness of performance measures in the public sector*, CMPO Working Paper Series, no. 03/073, May.
- Mbonigaba, (2008). Stimulating performance-driven behaviour to obtain better results, *International Journal of Productivity and Performance Management*, July
- Meyer and Al, (2001), Social claims made critical realism in economics: two cases. *Journal of Economic Methodology*. 11 (1): 53–73. KRAUSS, S.E., 2005. Research paradigms
- Meyer Radloff, s. And Irwin, P., 2001, (2001). Public sector reform in developing countries, issues, lessons and future directions, Institute on Governance, Ottawa, www.iog.ca
- Mittal et al, (2005), 'An investigation of the effect of balanced scorecard implementation on financial performance', *Management Accounting Research* 15: 135-153.
- Mugenda and Mugenda (2005) Institutionalized norms of conducting research and social realities: a research synthesis of empirical works from 1983 to 2002, *International Journal of Management Review*, 7, 1: 1-24
- Mugenda and Mugenda (2005), *Research Methods, Quantitative and Qualitative Approaches*, Acts press, Nairobi.

Murdock , Balanywa, Champman (2006), *Issues in management accounting*. Prentice Hall, New York

Nel, Ramchurn, SD, Jennings, N, Sierra, C, (2011), *International management accounting practice statement: management accounting concepts*. New York, NY: International Federation of Accountants.

Notebook and Six (2001), *The state they're in*, *Financial Management*, June, 16-19

Ongena and Smith, (2001), *The Development of environmental education resource materials for junior primary education through teacher participation: the case of the We Care Primary Project*. Unpublished D.Ed. Thesis. University of Stellenbosch.

Otley, (1999), *Stimulating performance-driven behaviour to obtain better results?*, *International Journal of Productivity and Performance Management*, July.

Pagura, (2004), *Performance Management Tools: Is the balanced scorecard applicable*

Parasuraman et al. (1985), *Examining the effectiveness of sales management control practices in developing countries*, *Journal of World Business*, 39: 255-267

Peelen, (2004), *'Designing, implementing and updating performance measurement systems'*, *International Journal of Operations & Production Management*, vol. 20, no. 7: 754-771.

Petersen and Rajan (2010), *Stimulating performance-driven behaviour to obtain better results*.

Price, (2000) *Researching performance measurement system implementation: the dynamics of success and failure*, *Production Planning & Control* (16), 2, pp. 101-113

Price, (2009). *The case of College of Business Education Dar Es Salaam (Tanzania)*. Paper, Maastricht School of Management

- Reid (2012), *Factors that play a role in 'managing through measures'*. Centre for Business Performance, Cranfield School of Management, Cranfield University, Cranfield
- Riel, Madu and Madu, (2002); Current State and Future Developments of Performance
- Ross (2002), Behavioural factors important for the successful implementation and use of performance management systems. *Management Decision*, 41, 8
- Ross, (2005), Assessing empirical research in managerial accounting: A value-based management perspective. *Journal of Accounting and Economics*, 32, pp 349-410.
- Rychen and Salganik (2011), Measures of performance in UK international alliances. *Organization Studies*, Winter
- Schreiner, (2004) Research paradigms and meaning making: primer. *The Qualitative Report*. 10 (4): 758–770.
- Sekaran (2003) *Partnership with People-Improving Business Performance Through Your People*, The Directors Publication, London.
- Sekaran (2003). Assessing empirical research in managerial accounting: A value-based management perspective. *Journal of Accounting and Economics*, 32, pp 349-410.
- Shoemaker and Lewis (2002), *The Trust Process in Organizations: Empirical Studies of the Determinants and the Process of Trust Development*, Edward Elgar Publishing Limited, Cheltenham
- Shoemaker and Lewis (2002), *The Trust Process in Organizations: Empirical Studies of the Determinants and the Process of Trust Development*, Edward Elgar Publishing Limited, Cheltenham.
- Simanowitz, (2000). *Post positivism and educational research*. Maryland: Rowman and Littlefield.

- Simons (2012), An analysis of the Socio-Economic impact of Co operatives in Africa and their Institutional context, Nairobi, International Co-operative Alliance and the Canadian Cooperative Association.
- Sink (2009), "The role of measurement" in achieving world class quality and productivity Management, Wernerfelt, Birgir, "Defensive Marketing Strategy by Customer Complaint
- Skogland and Siguaw, (2004), *Building and Implementing a Balanced Scorecard*, Business Intelligence, London.
- Skogland and Siguaw, 2004), Qualitative Research Design: An Interactive Approach. In Arksey, H. and Knight, P. (Eds). *Interviewing for Social Scientists*. London: SAGE publication.
- Spangenberg and Theron, (2011), The Effects of Organizational Society and Managerial Actions on Customer Contact",
- Stiglitz and Weiss, (2011), Comparing leadership practices between the United States, Nigeria, and Slovenia: does culture matter? *International Journal of Cross Cultural Management*, 11, 2, 16-34
- Survey, (2000) Performance-driven behavior: a cross-country comparison. In: A. Neely, M. Kennerly and A. Waters (eds.), *Performance measurement and management: public and private*, Centre for Business Performance, Cranfield University, Cranfield: 299-306
- Tom (1998), *Culture's consequences. Comparing values, behaviors, institutions and organizations across nations*, 2nd edition, Sage publications, Thousand Oaks
- Waal & Coevert, (2007), *Performance measurement and evaluation* Sage Publications,
- Watson Wyatt (2010), New public management in developing countries. In: K. McLaughlin,

S. Osborne and E. Ferlie, *New public management: current trends and future prospects*, Routledge, London

Winer (2001), 'Performance measurement in public sector services: problems and potential', in A Neely, A Walters & R Austin (eds.), *Performance Measurement and Management: Research and Action*, Cranfield School of Management, UK.

Wolfenbarger and Gilly, (2003). *Balanced scorecard: myth and reality*, *Vikalpa*, 30, 1: 51-66

Wright and Al, (2009). *How to Succeed in your Master's and Doctoral Studies: a South African Guide and Resource Book*. Pretoria: Van Schaik Publishers.

Zairi, (2004), *Performance Management: a framework for management control systems research*. *Management Accounting Research*, 10, pp 363-382.

Zaman 1998). 'Why balanced scorecards fail', *Journal of Strategic Performance Measurement*, January.

Zeithaml, (2002) *Current State and Future Developments of Performance Management in South Africa*. Paper, Maastricht School of Management


KYAMBOGO UNIVERSITY

P. O. BOX 1 KYAMBOGO
Tel: 041 - 285001/2/285037 Fax: 256-41-220464
Website: www.kyu.ac.ug
Kyambogo University Graduate School

Your ref.:
Our ref: KYU/GSch/01/13

24th June, 2013

To Whom It May Concern

Dear Sir/Madam

RE: LETTER OF INTRODUCTION

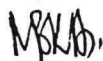
This is to introduce to you **MUSINGUZI MOSES** Reg No: 2011/HD/369/MBA who is a student of Kyambogo University pursuing a Master of Business Administration of Kyambogo University.

He is carrying out a research on *“Performance Management Practices and Customer Service in saving and Credit Cooperatives (Saccos), A case study of Kabwoya Sub-County Hoima District”* in partial fulfillment of the requirements for the award of the Master of Business Administration of Kyambogo University.

This is to kindly request you to grant him permission to carry out this study in your establishment.

Any assistance rendered to him will be highly appreciated.

Yours faithfully,



Dr. M.A. Byaruhanga Kadoodooba
Dean, Graduate School



APPENDIX I

DOCUMENTARY REVIEW CHECK LIST KYAMBOGO UNIVERSITY

Dear Respondent

Am a student of Kyambogo University. Am carrying out a study on performance management practices in relations to customer services in savings and credit cooperatives (SACCOs) in Kabwoya Sub County Hoima District. The study is carried out in partial fulfillment for the award of a Masters Degree in Business Administration of Kyambogo University.

You are kindly requested to provide the under listed literature in your possession pertaining the study.

Thanks.

MUSINGUZI MOSES

STUDENT/ RESEARCHER KYAMBOGO UNIVERSITY

1. Kabwoya SACCO Annual quarterly and monthly progress report
2. Kabwoya SACCO Planning, Monitoring and Evaluation Reports.
3. News paper reports about SACCOs
4. Reports/ literature on planning, monitoring and rewarding for performance.
5. Kabwoya Sub county Credit/ Lending Procedures.

Thank you for your Cooperation.

APPENDIX II: SAMPLE SIZE

Sample size(s) required for the given population sizes (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	266	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	10000	384

SOURCE: Krejeie and Morgan (1970), Determining sample size for research activities, Educational and psychological measurement, 30,608, sage publications.

APPENDIX III

SELF-ADMINISTERED QUESTIONNAIRE FOR THE RESPONDENTS WITH INFORMATION ON SACCOs IN KABWOYA SUB-COUNTY, HOIMA DISTRICT

Dear respondent!

I am a student of Kyambogo University pursuing a Master's Degree of Business Administration. This questionnaire is designed to collect information aimed at *ascertaining the relationship between performance management practices and customer service in Savings and Credit Cooperatives (SACCOs) in Kabwoya Sub-County, Hoima District* in Uganda. The information obtained will be strictly for academic purposes and it will be treated with utmost confidentiality. I kindly request you to fill this questionnaire. Thank you very much for your time and co-operation

Musinguzi Moses

Student/Researcher

Section A: Demographic data

(Tick in the appropriate box provided)

1. Your age

Under 25	25-34	35-45	Above 45

2. Gender

Male	Female

3. Marital status

Single	Married	Divorced	Widowed

4. For how long have you been aware of this SACCO?

0-3years	4-6years	7-9years	Over 9years

5. What is the highest level of education you have attained?

Certificate	Diploma	Degree	Professional qualification	Masters	PHD

6. For how long have you been getting financial services from this SACCO?

- (a) Less than 1 year (b) 2-3year
(c) 4-6years (d) More than 6 years

SECTION B: PLANNING AND CUSTOMER SERVICE IN SACCOs

Evaluate the following statements by ticking the appropriate alternative of your choice.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1	2	3	4	5

	Statement	1	2	3	4	5
1	Annual and quarterly work plans approved by the AGM exist at the SACCO offices					
2	SACCO members are involved in the formulation of work plans.					
3	SACCO members are involved in the review process of work plans					
4	Plans are drawn in time with clearly allocated resource schedules					
5	Planning meetings for SACCO activities are regularly held as per the schedule					
6	What is planned for is what is implemented by the SACCO staff					
7	Regular planning promotes commitment to customer service					
8	Planning activities are allocated adequate financial resources					
9	Planning enhances retention of SACCO clients					
10	SACCO clients have well organized loan repayment plans					

SECTION C: MONITORING AND CUSTOMER SERVICE IN SACCOS

Evaluate the following statements by ticking the appropriate alternative of your choice.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1	2	3	4	5

	Statement	1	2	3	4	5
1	There is a monitoring team within the SACCO structures on customer satisfaction					
2	Monitoring is regularly carried out on the SACCO activities					
3	Monitoring activities for the SACCO are well facilitated					
4	The SACCO monitoring enhances staff commitment					
5	Monitoring reports are regularly discussed in SACCO meetings					
	Feedback on monitoring reports is always availed to all relevant stakeholders					
7	Recommendations from monitoring reports are usually implemented by the SACCO staff.					
8	Monitoring promotes customer satisfaction					
9	There is an established appraisal mechanism for the performance of SACCO staff.					
10	There is continuous monitoring of the SACCO activities from supervisory bodies like UCUSCU and microfinance support centre					

SECTION D: REWARDS AND CUSTOMER SERVICE IN SACCOS

Evaluate the following statements by circling/ticking the appropriate alternative of your choice.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1	2	3	4	5

	Statement	1	2	3	4	5
1	There is an established mechanism for rewards in the SACCO					
2	There are regular rewards for good performance in the SACCO					
3	The reward mechanism within the SACCO is fair to all stakeholder					
4	Rewards increase commitment to better customer service delivery in the SACCO					
5	SACCO client retention is enhanced by rewards					
6	Rewards promote customer satisfaction					
7	Rewards promote a sense of ownership among SACCO stakeholders					
8	There is need for rewards offered by the SACCO to be more fairer and equitable					
9	Employees receive recognition for their work at least on a quarterly basis					
10	Workers are paid more competitively for their skills					
11	Employees leave if another SACCOS offered them more money					

APPENDIX IV
FOCUS GROUP DISCUSSION CHECK LIST
KYAMBOGO UNIVERSITY

Dear Respondent

Am a student of Kyambogo University pursuing a Masters Degree of Business Administration.

This study is on performance management practices and customer service in savings and credit cooperatives (SACCOS) in Kabwoya Sub County Hoima District. The information obtained will be strictly for academic purposes and it will be treated with most confidentiality.

You are kindly requested to respond to this questionnaire by providing the most accurate answers to the questions project.

Thanks.

MUSINGUZI MOSES
STUDENT/ RESEARCHER KYAMBOGO UNIVERSITY

1. For how long have you been with this SACCO?
.....
.....
2. Explain how SACCO stakeholders (Boad, staff and clients) are involved in formulation, monitoring and review of SACCO work plans and activities.....
.....
3. How has the BoD and supervisory committee been involved in the employees record mechanism
.....
.....

4. How are the views by different stakeholder handled after SACCO meetings? Feed back
.....
.....
5. How is the performance of SACCO employees tracked and who is responsible for doing it?
.....
.....
6. What are the main challenges faced in the following SACCO activities?
 - a. Planning
.....
.....
 - b. Monitoring
.....
.....
 - c. Rewarding.....
.....
7. Comment on the performance of SACCO in delivering services to clients in terms of
 - a. Customer retention
.....
.....
 - b. Customer expectation
.....
.....
 - c. Staff commitment
.....
.....
8. What are the main factors that affect the quality of services provided to clients by SACCO programmes
.....
.....

9. Explain how political influence affect

a. Staff commitment

.....
.....

b. Customer expectations

.....
.....

c. Customer retention

.....
.....

Thank you for your participation

APPENDIX V
INTERVIEW FOR THE KEY INFORMANTS
KYAMBOGO UNIVERSITY

Dear Respondent

Am a student of Kyambogo University pursuing a Masters Degree of Business Administration.

This study is on performance management practices and customer service in savings and credit cooperatives (SACCOS) in Kabwoya Sub County Hoima District. The information obtained will be strictly for academic purposes and it will be treated with most confidentiality.

You are kindly requested to respond to this questionnaire by providing the most accurate answers to the questions project.

Thanks.

MUSINGUZI MOSES
STUDENT/ RESEARCHER KYAMBOGO UNIVERSITY

For how long have you been with this SACCO?

10. Explain how SACCO stakeholders (BoD, staff and clients) are involved in formulation, monitoring and review of SACCO work plans and activities
11. How has the BoD and supervisory committee been involved in the employees record mechanism
12. How are the views by different stakeholder handled after SACCO meetings? Feed back
How is the performance of SACCO employees tracked and who is responsible for doing it?
13. What are the main challenges faced in the following SACCO activities?
 - d. Planning
 - e. Monitoring
 - f. Rewarding

14. Comment on the performance of SACCO in delivering services to clients in terms of

- a. Customer retention
- b. Customer expectation
- c. Staff commitment

What are the main factors that affect the quality of services provided to clients by SACCO programmes

15. Explain how political influence affect

- a. Customer retention
- b. Customer expectation
- c. Staff commitment

Thank you for your participation