

Operational Improvement as an Antecedent for Service Delivery in Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya

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Abstract: *The aspect of operational improvement and delivery of services in Deposit taking Savings and Credit Cooperatives Societies (SACCOs) has been hindered by various factors which are either inside or outside the organization itself and therefore may lead to crisis in deposit taking Savings and Credit Cooperatives Societies. This study sought to determine the effect of operational improvement in the delivery of service in deposit taking SACCOs. This study applied literature review with the basic theoretical concept Expectancy- Disconfirmation Theory in order to understand the variance of resource to the Savings and Credit Cooperatives Societies. Empirical literature review on operational improvement was also included in the study. Research gaps that were addressed in this study were derived from the empirical literature review. The study participants were staff of the selected SACCOs with three staff members chosen from each SACCO. A standard questionnaire was used as the primary data collection instrument in this study. Collected data was analyzed using excel and SPSS version 26. Both descriptive and inferential statistics were presented. Multiple Linear Regression was carried out to determine the effect of operational improvement on service delivery in SACCOs. Results showed that there was a relationship between operational improvement and delivery of service in SACCOs. The study concluded that recognition of opportunities by management to improve service ($\beta=0.331$, $p=0.045$), process maps ($\beta=0.332$, $p=0.015$) and employee participation in service delivery ($\beta=0.381$, $p=0.010$) had a significant impact on the delivery of service in SACCOs in Nairobi County, Kenya. The study recommended that there should be frequent adjustment on how services are delivered based on operational improvement.*

Keywords: *operational improvement, delivery of service, Deposit Taking Saving and Credit Cooperatives Societies*

1. INTRODUCTION

Service delivery is an important aspect in organizations. Organizations that deliver services promptly have better overall performance. Therefore, service delivery is used as an economic benchmark worldwide (Roy et al., 2015). Industries that offer services are termed as the most developed since they cover varying desires from customers and they have the added advantage of instant customer feedback on what they can improve. Thus, they are able to stay ahead on new developments regarding customer needs and wants and they are in the best position to deliver to customers what they want. Service organizations therefore have to stay open to changing customer needs and be ready to accommodate them as soon as they arise (Tekeba & Mengistu, 2018).

Customer needs are always changing creating a dynamic but risky environment for service providers since customers can be very selective and discriminative. Service providers therefore need to be flexible and dynamic too to be able to handle risky clients. Employees working in service organizations need to constantly adjust to the needs of customers and management has to make sure employees are always ready to change with changing customer needs (Nguyen, et al., 2016). It has been noted that customers are likely to be loyal if they are satisfied with services an organization provides (Kiprono & Kinyua, 2021; Mbulwa & Kinyua, 2021; Murerwa & Kinyua, 2021). Further, the means of producing services are sometimes difficult to sustain; thus service organizations need to be innovative in their delivery because they can easily go out of business if they do not keep up with the changing environment (Zeithmal & Bitner, 2012).

Service may vary in many ways and include different stages which contribute to delivery of quality services. Despite the complicated nature of service delivery, organizations are under pressure to deliver the services that they promised to customers (Tracy, 2014). Kwan and Donhee (2018) established that service delivery is considered as being of high quality due to the satisfaction level it brings to the customer. Service delivery forms customer's perception about the product/service. Where expectations are high with low perception, dissatisfaction occurs and where there is high perception, satisfaction is felt which improves value to an organization (Lankton & McKnight, 2012).

Customers who depend on cooperatives are pace setters since they have the capacity to estimate their satisfaction level before and after the service has been provided. Oanda (2015) noted that deposit taking SACCOs should carry out segmentation of customers for targeted marketing to improve customer satisfaction. The level of service/quality of service that customers experience in deposit taking SACCOs determines their level of satisfaction as well as whether they will continue saving in the SACCO (Kimaru, 2019).

A SACCO's performance is determined by the level in which it is able to deliver services to the society it is intended to serve. This is dependent on the way it is capable to offer them with ease and promptly to enhance meeting their set objectives. Service delivery in SACCOs is measured by the level in which customers in these cooperatives are willing to continue saving with the specific SACCO. Deposits taking SACCOs have been faced with different challenges such as the looming financial crisis facing SACCOs and the fear that customers have due to the possible financial crisis. This creates an uncertain environment where customers may be afraid to save and perform other transactions through SACCOs. This has for instance been the case of Chai SACCO recently as it is facing challenges of delivering as expected to the tea farmers in Litein in Kericho.

The level in which SACCOs are expected to deliver to their clients is currently in dire need of reinvention because many of them are not well financed due to low deposits by members thus causing operations to decline. In order to deliver, SACCOs are supposed to offer quality services in terms of their willingness to offer credit to the society that is in need of financial assistance and engaging in information scanning to help them utilize the credit in their routine operations. This may be assessed by how well they manage the already deposited amount and in return, their willingness to promptly consider the urgency needs of the small-scale farmers who are facing financial crisis as they are the members of the SACCO.

SACCOs are involved in Deposit-taking thus, they are key in developing a country's economy through operations. Although SACCOs are growing and offering different types of financial services to the public, particularly to low-income citizens, their mere existence does not do anything unless they deliver to their best level of performance. Quality service delivery has a great impact on the overall performance and it also adds to an entity's competitive advantage (Kortler & Armstrong, 2012). Delivery of quality service is all about delivering as expected and also enhancing operational improvement for better service delivery. Therefore, the delivery of quality services calls for effective operational improvement, which enhance continuous improvement and optimization of service delivery.

2. STATEMENT OF THE PROBLEM

Prompt service quality is the degree to which a service meets key customer requirements. Customization and the level of reliability of the requirements are very important aspects of service quality management in organizations. Service quality is considered a critical determinant of competitiveness that can help an organization to differentiate itself from other organizations and gain a competitive advantage (Munyao, et, al. 2017). However, the aspect of competition on deliveries of services of SACCOs has been inhibited by poor employee performance in handling customers (Sampio, 2014). This has been attributed to the fact that employee training in SACCOs industry has been not as inclusive as to those of other similar financial assistance industries such as banks and MFI's due to disparities of performance (Whittington & Scholes, 2011).

Liyanage and Wedage, (2008) applied the use of overall equipment effectiveness as a measure of operational improvement whereby they derived it during total productivity maintenance as a quantitative metric to measure the productivity of each equipment in an organization. This studies

were conducted in the manufacturing industry where the overall equipment effectiveness was measured for each machine. The current study focused on the service industry where measurement of operational improvement was measured using process improvement and equipment effectiveness.

In Kenya, there is scarce literature on aspects of operational capabilities and how they influence organizational outcomes (Kyengo, Muathe & Kinyua, 2019; Ong'esa & Kinyua, 2020). Given that operational improvement places considerable emphasis on incremental enhancement of organizational ability to create value for the diverse stakeholders, this research theme has lately elicited increasing attention from management scholars. In view of this, this study sought to investigate the effect of operational improvement of service delivery amongst Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya.

3. LITERATURE REVIEW

3.1. Expectancy-Disconfirmation Theory

The expectancy – disconfirmation theory was developed by Leon Festinger in 1957. This theory postulates that customer satisfaction comes about due to improvised service delivery to satisfaction level of a customer. It also asserts that the users of goods and services acquire them at a cost and therefore they have expectation on the quality to be delivered based on past experience.

According to Bretschneider (2015), clients perceive what they receive in relation to the product with utilization of available material. The customer is then able to develop attitude and expectations about a given brand based on information received through a lens of quality of previous service. In relation to consumers, they believe that performance of service is based on measures associated to standards (Isaac & Rusu 2014). This is then subjected to an internal decisional processes linked to purchases experience caused by quality of service (Laukton & McKnight 2012). Perception is then developed which results into: negative disconfirmation where perception is low hence dissatisfaction or positive disconfirmation where perception is high resulting to increased satisfaction and alignment of expectation (Aigbavboa & Thwala 2013). SACCOs aim to provide high satisfaction to their members for more competitive advantage over their peers. In this study, this theory was useful in underpinning the constructs of operational improvement and service delivery.

3.2. Empirical Review

Operational improvement focuses on incremental change in process and entails the creation of small wins that translate into superior performance. There is scarce empirical literature on operational improvement. Yang, Lee & Cheng (2015) studied operational improvement competence and service recovery performance whereby a new approach of operational improvement competence was used due to its overall importance on service recovery improvement on performance. Data was collected from 146 frontline team in the banking sector in China. The study showed that there was interrelationship on operational improvement competences on service recovery performance. In their findings, it is clear that there is existence of a gap since they did not articulate the level in which operational capability influences the service delivery in a more elaborate manner that could be used to deliberately configure performance without service recovery means.

Clark (2011) studied operational performance improvement through the use of measurable aspects such as reliability production cycle time and inventory turns. From this perspective they came up with various measures such as operation performance which is considered as the measure against standards indicators of productivity, capacity utilization, effectiveness, efficiency, cycle time, waste reduction and regulatory compliance. Terziovski, Feng and Samson (2007) on their part associated improvement on operations performance as being contributed by the essence of an entity utilization of its internal materials in order to offer satisfaction level in terms of what they produce and the quality content of what is being produced. Hasan and Kerr (2003) asserted that applied operational performance variables in the context of production in terms of quality and the timeliness of delivery. In these studies, the gap existed in the absence of definition of what variables contributed to the assertion of the exact satisfaction level of service delivery of the firm.

Mahmoud and Carlos (2010) indicated that firm operational performance and improvement can only be achieved through enhancement of organizational culture. Arguably, this encompasses its

operational excellence, training and equipping the workforce on the techniques and tools of process improvement, deploying real-time visibility process management technology and putting in place appropriate measures as well as controls. The existence of a contextual gaps raises an implication in support of the case for the current study.

The hypothesized relationship between operational improvement and service delivery is shown in the figure below.

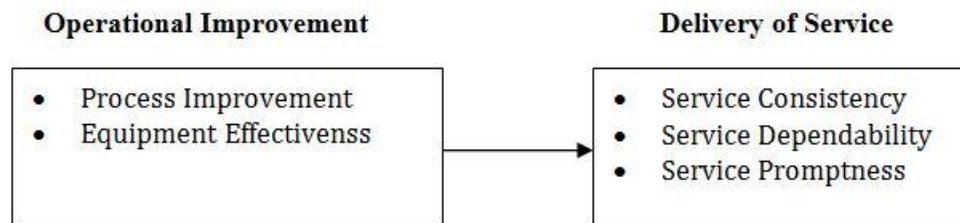


Figure1. Conceptual Framework

Source: Literature Review (2021)

The research hypotheses for this study were as follows;

H₀: Operational improvement has no significant effect on service delivery amongst Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya.

H_a: Operational improvement has a significant effect on service delivery amongst Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya.

4. RESEARCH METHODOLOGY

Cross sectional descriptive research design was used in this study as it was organized and precisely intended to study the characteristics of operational improvement (Hair et al., 2011). According to SASRA report (2019), Nairobi City County has a total of 42-deposit taking SACCOs. The study targeted all the DT- SACCOs in Nairobi due to their operational similarities which were deemed as applicable since the study sought to study observable similar characteristics. Random sampling was used to select employees in senior and middle management. In this study respondents totaling to 72 determined as demonstrated below through the use of Yamane (1965).

$$n = N / 1 + N (e)^2$$

$$N = 256 \text{ (Population)}$$

$$n = \text{Sample size}$$

$$e = 0.1 \text{ (error term)}$$

$$\text{Hence} = 256 / 1 + 256(0.1)^2$$

$$256 / 1 + 2.56 = 256 / 3.56$$

$$\text{Sample size} = 71.91 \text{ equated to } 72$$

In this study, data was gathered by the use of a structured questionnaire. Summated Rating Method developed by Rensis Likert was used in eliciting responses relating to research variables adopted in this study. In this questionnaire, alternative responses were chosen on a 5-point rating scale. The research administered the research instrument via the drop-and-pick later method in order to enhance the response rate.

Validity of the research instrument was ensured by using expert judgment of the supervisor and members of faculty and extensive review of relevant literature as guided by the research constructs of the study. Reliability of the instrument which in essence is concerned with internal consistent (Zikmund, 2003), was tested using Cronbach's Coefficient Alpha. According to Hair, Black, Babin, Anderson and Tatham (2006), a coefficient alpha of 0.7 is suitable for verifying the reliability of the test items of a research instrument. In this study, the overall reliability was 0.902 which specifically

ranged between 0.834 for operational improvement and 0.970 for service delivery. These results demonstrated that the set of items used for the specific research variables had internal consistency within the bench criteria adopted by the researcher.

For consistency of the data, editing was done to ensure completeness of the responses and then the responses were coded and keyed in for purposes of analysis. Descriptive statistics in form of sample mean and sample standard deviation were computed to develop a summary of observed sample. SPSS was used for simple linear regression analysis in line with the statistical equation presented below

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where: Y =Service Delivery
 X_1 = Operation Improvement
 β_0, β_1 = Beta coefficients
 ϵ = error term

The statistical significance of the model was evaluated by applying ANOVA output which indicates whether or not R2 might have taken place in a random way or not. Estimated regression model utilized the f-statistic for the ANOVA table at 95% confidence level. A thresh hold of at most 0.05% P-value was a reference for making decisions and conclusions.

5. RESEARCH FINDINGS AND DISCUSSION

5. 1. Response Rate

72 questionnaires were issued via the email. There were 50 responses (69%) while 22 (31%) of the questionnaires were never responded to.

Table1. *Response Rate*

Category	No. of respondents	Percentage
Responded	50	69%
Did not respond	22	31%
Total	72	100%

Source: *Field Data (2021)*

5.2. Descriptive Statistics for Operational Improvement

This analysis was based on analyzing the findings which were arrived at after computation of the data based on the research instrument concerning operational improvement and service delivery. This was based on Likert scale point whereby response from respondents was calculated as shown below.

Table2. *Operational Improvement*

Aspects	Mean	Std. Dev.
operational improvement is crucial for creating value	2.14	1.309
Existing business processes enhances services delivery	3.68	1.504
Management recognizes opportunities for improve processes.	4.06	.935
Organization exploit opportunities to improve processes	3.80	1.340
The organization has process maps	3.68	1.269
Employees participate in decisions for improving business processes	4.36	1.045
Aggregate scores	3.62	1.234

Source: *Field Data (2021)*

From the table above ‘operational improvement impact on service delivery’ had the lowest mean of 2.14. The variable ‘there are issues with existing business process’ had a mean of 3.68; ‘management recognizes opportunities to improve process’ had a mean of 4.06; ‘organization recognizes the

opportunities to improve processes but fail to take them’ had a mean of 3.80; ‘the organization have the process map’ had a mean of 3.68 and finally employees participated in service delivery had the highest mean of 4.36. The findings were similar to those of Yang, Lee & Cheng (2015) on different perception concerning operational improvement and service delivery. This was also aligned to findings of Liyanage, and Wedage, (2008) on overall effectiveness of equipment’s that are used on operational improvement to the delivery of services. From this perspective, it is therefore of importance to understand that operational improvement is based on different concepts with are derived to enhance service delivery of an entity.

5.3. Descriptive Statistics for Service Delivery

The results were based on analyzing the findings based on analytical data which was from the response attained based on respondents’ point of view concerning service delivery effectiveness. This was presented inform of Likert scale analysis as presented in table below.

Table3. *Service Delivery*

Aspect	Mean	Std. Deviation
Service consistence	4.2000	.96890
Service dependability	4.2400	.84660
services promptness	4.2400	.84660
Service desirability	4.2200	.86402
Aggregate scores	4.225	.88153

Source: *Field Data (2021)*

The aggregate mean was 4.225 and the standard deviation was. 0.88153. This indicates that most responses fell on 4 (agree) in the Likert scale. This was considered to be in the range of 4.2 and 4.24 based on mean variance which signified that service delivery was key in the overall entity and this was based on the fact that when there is adequacy of service delivery thus, there was a direct relationship with the operational capabilities of an organization. From this, it is evident that service delivery is important to the performance of SACCOs.

5.4. Inferential Statistics

Operational improvement as an explanatory variable was regressed on service delivery. The results of this statistical analysis are displayed below.

Table4. *Results of Regression Analysis*

Model Fitness						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.851 ^a	.723	.694	.632		
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.644	2	.322	1.3529	.050 ^b
	Residual	9.758	47	.238		
	Total	10.402	49			
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	Constant	2.321	.433		5.360	.032
	Operational improvement	1.613	.063	.164	25.603	.036
a. Dependent Variable: Service Delivery						
b. Predictors: (Constant), operational improvement,						

Source: *Field Data (2021)*

The findings indicated the operational improvement as an explanatory variable was responsible of 72.3% variance in service delivery as demonstrated by R square. The resulting value of 0.851 for R also demonstrate a strong positive linear relationship between operational improvement and service delivery. Furthermore, the results of analysis of variance manifest a p value of 0.050 for the overall

model confirming that the observed data fitted the estimated model well. The coefficient outputs displayed in the table generate the estimated statistical equation below.

$$\text{Operational Improvement} = 2.321 + 1.613 \text{Service Delivery}$$

This model is appropriate for providing insights on the effect of operational improvement on service delivery. It can be observed from the output table that p values for both the intercept and operational improvement are 0.032 and 0.036. These characteristic levels of significance do not exceed the adopted threshold of 0.05, implying the beta coefficients 2.321 and 1.613 for the intercept and explanatory variable respectively are statistically significant at 95% level of confidence.

Further, increase of 1 unit in the level of operational improvement is able to explain an increase of 1.613 in the level of service delivery and vice versa. Therefore, operational improvement has a positive effect on service delivery amongst Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya. These empirical results corroborate the conclusion of reviewed studies that operational improvement fosters service delivery in organizations (Lee & Cheng, 2015; Clark, 2011; Terziowski, et al., 2007).

6. CONCLUSION AND POLICY IMPLICATION

A significant positive relationship was found between operational improvement and service delivery in deposit taking SACCOs in Nairobi City County. The study identified that there were issues with existing processes which were interfering with service delivery. Failure by management to take note of issues and the opportunities to solve them was also found to be of concern. The study concluded that recognition of opportunities by management to improve service, process maps and employee participation in service delivery had a significant impact on the delivery of service in SACCOs in Nairobi County, Kenya. Informed by these findings, operational managers should formulate policies that would promote activities and practices that are biased towards customer's interests. In addition, management of deposit taking SACCOs should enact policies that would facilitate commitment of sufficient organizational resources for identification and exploitation of opportunities.

7. SUGGESTIONS FOR FURTHER RESEARCH

The findings and conclusions of this study were confined to operational improvement and service delivery in Deposit Taking SACCOs. It is therefore necessary for researchers to direct attention to other dimensions of operational capabilities. Similarly, it's important for the other factors that may be responsible for explaining 27.7 % of service delivery to be investigated.

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