

Factors for a Comprehensive Performance Evaluation Framework for Agricultural Co-operative Societies in Tanzania

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Abstract

Although the existing literatures on performance advocate that Performance Management (PM) positively affect organizational performance, there is evidence that co-operatives in Tanzania are performing poorly. However, there is anecdotal evidence on factors to be included in performance measurement systems of co-operatives. The aim of the study was to establish the key performance factors which could be used in the co-operative performance system. In addition, the study assesses specifically the current performance system, identifies the critical performance aspects, and to establish the factors suitable for the comprehensive performance evaluation for Agricultural Marketing Co-operative Societies. The methodology for this study involved a documentary review, interview, and focus group discussion composed of 15 key informants. Data were analyzed by using content analysis. The study found five aspects to be of fundamental in the performance evaluation framework. The performance aspects are financial, members, learning and growth, internal business process and social. The study provides factors suitable for a comprehensive performance evaluation framework for co-operatives in Tanzania. The factors identified are very important to be included in establishing a comprehensive framework for evaluating co-operative performance.

Key words: Co-operative, performance, measurement, evaluation

Introduction

A co-operative is a form of a business unit which is a result of an association of a group of people who come together with common needs. International Co-operative Alliance (ICA) (1995) defined co-operative as “an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.” (<https://guides.libraries.psu.edu/apasquickguide/intext>). This is to say, the association is formed when the group of people feel that certain goals are difficult to achieve individually. Despite the challenges facing these institutions, yet the gap left by the failures, need to be filled by the people-in order to solve the problems facing them within their communities. In Tanzania, co-operatives have been in operation for 75 years, and during that period, they have been an important part of the development of Tanzania. However, in fulfilling their activities, they underwent successes and failures, although they still remain the only

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institutions which brought many people together for a common cause. Therefore from the definition, we can see that co-operatives are made of multiple goals, precisely to manage, economic and social welfare of people (Novkovic, 2006). Managing an organization with multiple goals, somehow, it appears to be a complex task especially when dealing with performance evaluation. However, apart from its complications, no way evaluation will be avoided in order for an organization to improve, as it is said, “*you can’t manage right what you can’t measure well*”(Cruz-Cázares, Bayona-Sáez, & García-Marco, 2013) and “*the firm becomes what it measures*”(Hauser & Katz, 1998).

Co-operatives are unique institutions for the fact that they have a double commitment of members, that is, member as a supplier and at the same time, as the owner of their co-operative resources. It is sometimes known as cooperative dilemma. This dilemma leads to two conflicting issues: short-term objective and long-term objective. Now, one could be keen of how to conduct evaluation of these institutions with dual performance objectives i.e. short term remuneration for the member-supplier and long term value creation for the member-owners. When applying financial measures, which are essentially short term without considering the non-financial measures it can be difficult to solve this kind of internal conflict of interests (Masuku, Masuku, & Mutangira, 2016). The traditional financial models do not seem adequate to measure sustainable social-economic performances, which are usually advocated by the co-operatives philosophy (Saïssset, Couderc, & Saba, 2011).

Therefore, given the nature of these co-operative institutions, it could be argued that, measuring co-operative performance should be a comprehensive task. Most of the time, in the process of evaluation, researchers find themselves in the trap of using the ad hoc measures without considering the goals and objectives of a given organization (Kaplan & Norton, 2001). It is not then, proper to use measures that will deal with one goal in the organization which has multiple goals. One of the organisations which have faced challenges on the performance evaluation is the co-operatives. This argument makes sense, but the problem is what factors are to be included in the measuring system so that it may be able to capture all the co-operative aspects.

Existing literature provides strong arguments for a comprehensive approach and the evidences shows that the comprehensive approach has contributed to the improvement of organisation performance (Malgwi & Dahiru, 2014). However, despite the evidence given from other organisations, yet a comprehensive performance evaluation has not found its way to the co-operative sector globally, and Tanzania alike. The current performance measurements used by researchers are basing on financial performance (Beaubien & Rixon, 2012; Liebrand, 2007; Louis-Antoine, Jean-Pierre, & Mario, 2011). However, in order to have a suitable comprehensive performance evaluation, there is a need to know the areas to monitor and evaluate as well as the factors which can be used in each area to have a good performance measurement system. What remain unknown are the areas and factors which can be used to have a comprehensive performance measurement system in Tanzanian co-operatives.

An organization with multiple goals will eventually attract the interests of many stakeholders (Hassan, 2005). Hence the study is guided by Stake holder theory developed by Freeman (1984), which does offer a multi-dimensional approach for enterprise performance measurement (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Stakeholders can be defined as the groups or individuals, inside or outside the enterprise that has a stake or can influence the organisation’s performance (Freeman, 2010).The stakeholders for a co-operative institution are: members, customers, communities, suppliers, and employees who participate in the organisation

to plan, design, implement and deliver the organisation's products and services to its customers (Gijssels, 2009). Many scholars who apply stakeholder theory to performance measurement, believe "performance measurement design starts with stakeholders" (Cheowsuwan, 2016). Given this view, apparently, in measuring performance there is a need to ensure it covers the holistic view of the organisation.

Empirical studies have shown the existing gap regarding the performance measurement system in co-operatives as summarized in **Table 1**. In some other organisations, comprehensive performance evaluation has been used extensively. This can be witnessed in scholarly works in different organizations like co-operatives (Cardemil-Katunovic & Shadbolt, 2006; Chen, Chen, & Peng, 2008; Neely, 2002; Simkhada, 2017; Yang, Yang, & Chao, 2010), agriculture (Lissitsa, 2005), government institutions (Kloot & Martin, 2000; Ngomuo & Kipesha, 2015; Niven, 2011), NGOs (Hansen, Sextl, & Reichwald, 2010; Kaplan & Norton, 2001; Peters et al., 2007), social clubs organisations (Becky, 2011; Kozma & Ónodi, 2014), corporate firms (Kipesha, 2013; Perlman, 2013; Stede, Chow, & Lin, 2006; Stemsrudhagen, 2003). In spite of evidence from the above mentioned literatures on the benefits of the comprehensive measurement tool in various organisations, there is still knowledge about the constructive factors for a comprehensive performance evaluation in Tanzanian co-operatives. Hence, this intended to identify and assess factors for a comprehensive performance evaluation framework for agricultural co-operatives. The research is guided by the following research question: what are the reliable areas, factors and items that can be used to form a comprehensive performance measurement system?

Co-operative Performance

Performance is defined as an improved product quality, productivity or technical efficiency, service capabilities of a firm, which lead to sustainability. Co-operative performance is defined in terms of key indicators such as satisfaction of members on goods and services provided by co-operatives, returns on investment and education and training of members and employees. However, in reviewing of the literature concerning co-operative performance, it is still vague. The current performance system is giving much emphasize on financial ratios as evidenced from various studies (Doupou & Zopounidis, 2012; Kanchu, 2012; Simkhada, 2017; Soboh, Lansink, Giesen, & Van Dijk, 2009; Srikanth, 2007), which seem to be inadequate for co-operative performance evaluation.

Co-operatives have been guided by the principles and values. The values and principles are set by the International Co-operative Alliance (ICA), a non-governmental co-operative federation representing co-operatives and the co-operative movement worldwide. The seven principles are: (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training, and information; (6) co-operation among co-operatives; and (7) concern for community. Then the core values are self-help, democracy, self-responsibility, equality, equity and solidarity. Furthermore, co-operatives are guided by cooperative ethical values which are honesty, social responsibility, openness and caring for others. Therefore, it can be argued that when one is in need of measuring a co-operative performance it is advised to establish members' view.

Measuring performance of co-operatives have been done mostly on the financial aspects (Beaubien & Rixon, 2012; Liebrand, 2007; Ling & Liebrand, 1998). Liebrand (2007) in the study aimed at measuring of performance by using the extra value method insisted that, most co-

operatives use return on equity, return on assets and net margins on sales. The shortfalls for these measures are more of short term that emphasize in economic benefits and hence ignore other aspects like education and social aspect. Saïssset et al., (2011) in their study on co-operative performance measurement proposal urged that conflict between co-operative short term and long term performances should be balanced in order to reach its economic and social objectives. Some researches maintain that some co-operatives use benchmarks that are developed for investor-owned companies to evaluate their performance while using measures that reflect relatively little consideration of the co-operative principles and values (Beaubien & Rixon, 2012). Table 1 below shows different studies which conducted performance evaluation in co-operatives with type and measures used.

Other studies have put co-operative performance into five strategies (Nkuranga & Wilcox, 2013): the first being co-operative development recruitment and retention strategy focusing on the human capital as the central part of any organisation. The second one is the market linkages and relationships management. The co-operative has to manage properly the marketing strategy so as to fetch high prices, through adding value. The third one is structure and accounting system while the fourth one is production and quality of inputs. The two strategies are the internal ability of the co-operative to operate well. The fifth one focusses on the legal status and co-operative planning strategy (Nkuranga & Wilcox, 2013). The approach suggested by Nkuranga and Wilcox is trying to see the performance of the co-operative comprehensively, however, it lacks some detailed analysis on learning and social aspect.

Simkhada, (2017) viewed the performance of the co-operatives in various perspectives which are customers', internal business and learning and growth. The customer perspectives as suggested by Simkhada (2017) has to measure types of product and services, quality of product, and service, and customer satisfaction. Then, the internal business process measures, policies and procedures of a co-operative, operational efficiency, competitive position and business plan. Again the performance is well measured by using these perspectives, although it lacks the social aspect of the co-operative goals.

Yang et al. (2010) commended the co-operatives performance to be measured against five key measures comprising the procurement strategy, marketing strategy, distribution strategy and information systems strategy. Besides, the performance indicators were further categorized into quantitative and qualitative indicators. Ainebyona and Tiruhungwa, (2011) used the same approach in examining the relevance and key performance indicators of a co-operative unions in developing primary co-operative societies. However, the study did not tell as to why the indicators were selected and ignores the member aspect as well as learning and growth. Also, it did not capture the social aspect of the co-operative.

From the literature reviewed, it can be observed that there have been conflicting views on the measuring systems in the co-operatives. Although there are limited empirical studies on the performance evaluation of these co-operatives, yet the available ones show how emphasize is given to the financial performance of the co-operatives. Financial performance is not something bad, it is very important for the growth of co-operative. Though limiting to it alone can give only the historical performance of the co-operative and ignore the driving factors. Financial performance conveys on economic aspects of the co-operative while overlooking the non-economic aspects. It is by these reasons the empirical studies combine financial indicators with non-financial indicators (Da Silva, Leite, Guse, & Gollo, 2017; Deriada, 2005; Masuku et al.,

2016; Mubirigi, Shukla, & Mbeche, 2016). However, these studies do not express much about, which area these non-financial measures will suit. For example, a co-operative as any other institution with its unique features, still requires measures which cover human capital, the co-operative business process, member-customer, financial, and social aspect.

By observing intensely on these studies, it can be argued that, few studies have tried to have measures that capture the holistic view of the cooperatives, although some have used some insufficient factors. The other extreme part we can see from the studies above is for those which have decided to use only the non-financial measures (Henehan & Anderson, 1999; Liang, Huang, Lu, & Wang, 2015). This also is one sided view that could not be very proper because still at the end the multiple objectives of the co-operatives could not be measured properly. From these studies with different views, we can see that there are measures which are basing with human capital (trainings, skills, etc.), internal process capabilities (strategic planning, operational efficiency, relational etc.), and lastly the financial part where various indicators have been used. Despite existing studies showing lack of a comprehensive performance evaluation approach, there is no empirical study in Tanzania which has identified the constructs and indicators suitable for the evaluation of agricultural marketing co-operatives.

Table 1: Measures and Indicators Used by Researchers

| <i>Objective</i> | <i>Sector&country</i> | <i>Financial Indicators used</i> | <i>Non-financial Indicators</i> |
|--|---------------------------------------|---|--|
| to identify important core organizational capacity indicators for the cooperatives to survive and live up in improving the welfare of their members(Deriada, 2005) | Agricultural co-operative-Philippines | Savings mobilisation and sufficient budget | innovativeness, entrepreneurial skill development, members' participation, continuous training and educations |
| to examine the growth of DCCBs (Kanchu, 2012) | Co-operative bank-India | Deposits, Credits and C/D Ratios, working capital, growth of investment, cost of management | - |
| to measure sustainable social economy performances | Wineco-operative-Languedoc-Roussillon | COOPERFICs financial indicators | - |
| to analyze the economic and financial performance of the largest Brazilian credit co-operatives(Da Silva, Leite, Guse, & Gollo, 2017) | Brazilian credit Co-operatives | adequacy capital, Asset quality, Liquidity and Sensitivity to market risk | Management expertise |
| to assess the factors influencing the performance of agricultural co-operative | Agricultural co-operative-Rwanda | input savings mechanism, value addition | Youth participation, land use consolidation policy, knowledge on action plan and budget, level of accountability |

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|---|---|-----|---|--------------------------------------|--|
| members in Gatsibo District Rwanda(Mubirigi et al., 2016) | | | | | and transparency, members productivity |
| to evaluate the efficiency and performance of a European cooperative banks(Doumpos & Zopounidis, 2012) | Co-operative banks- Germany, France, Italy, Spain and Austria | | loan/assets, equity/assets and ROA ratios | | - |
| to identify and recommend different indicators for measuring performance of financial co-operatives in Nepal(Simkhada, 2017) | Financial co-operative-Nepal | | Earnings, Efficiency, Healthy capital structure, Assets quality, Targeting, and Self-governance (ELEPHANTS) | Liquidity, Productivity, Net growth, | - |
| the financial growth and performance of the Ramanathapuram District Central Cooperative Bank Ltd (RDCCB) | Co-operative bank- India | | Deposits, Loans & Advances, Net Profit, Investment, Working Capital and NPA | | Membership |
| to evaluate the performance of agricultural Co-operative Boards of Directors(Henehan & Anderson, 1999) | Agricultural Co-operative-USA | | - | | board operations and process, director proficiencies, clarifying the mission, strategic planning, effectiveness of the chair, minimizing politics and conflicting interests, understanding and maintaining director role, board-management relations |
| to examine the performance of multi-purpose cooperatives in Swaziland(Masuku et al., 2016) | multi-purpose co-operatives- Switzland | | financial performance | | Democracy,Participation, Transparency,Education and Training |
| to develop a framework for defining and clarifying various aspects of social capital and examines the effects of social capital on members' participation in collective activities and on the economic performance of farmer cooperatives(Liang et al., 2015) | Farmer co-operative-China | | - | | the external, relational, and cognitive dimensions |
| to examined the performance of multi-purpose co-operatives in Swaziland(Masuku et al., 2016). | Multipurpose cooperative | Co- | profit perception ,access to credit | | quality of services, accountability, transparency, members participation, members' education and training |
| To measuring the | Agricultural Co- | | extra value(The value a | | - |

| | | | |
|--|-------------------------------------|--|--|
| performance of agricultural cooperatives(Soboh et al., 2009) | operatives-Britain Co- | cooperative generates over and above its expenses, including an opportunity cost for its equity capital) | |
| to examine the relevance and key performance indicators of a co-operative union in developing primary co-operative societies(Ainebyona & Tiruhungwa, 2011) | Agricultural Co-operatives,Tanzania | - | distance from the co-operative union to the primary co-operative society, member education and training, publishing and information dissemination, initiation of long-term schemes/projects, searching for better international market, provision of farm inputs , carrying out research and feedback. |
| to analyze differences in financial and performance indicators between European dairy co-operatives and investor-owned firms(Srikanth, 2007) | Dairy co-operative-EU | profitability,debt,operational efficiency, equity growth and size | - |

Comprehensive Performance Evaluation

Financial Performance Evaluation

Malgwi and Dahiru (2013) argued that financial performance focuses on four themes which are revenue growth, cost reduction and asset utilization. Revenue growth deals with activities that can increase the revenue base of an organisation. It focuses on how to increase the number of new products, develop new customer and how to change to a more profitable product. Cost reduction focuses on how to reduce cost per unit of a product or service and how to reduce selling and general administration cost. The study conducted on leasing company found that, management wants to meet financial goals such as increasing service facility and service cost reduction (Chițu & Opreș, 2014). The study done in Jordanian banks shows that the non-financial measures usages, particularly, customer oriented indicators appear to be important as it enhances firm performance (Al-mawali, Zainuddin, & Ali, 2010).

Non-Financial Performance Evaluation

Malgwi and Dahiru (2013) suggested market share, customer retention, customer acquisition and customer satisfaction. Market share focuses on all activities that the organisation can employ to improve its share of the market. It may be through advertisement, sales, promotions, low price of products and services. Customer retention ensures that old customers continue to patronise the organisation. Organisations can take some strategic measures like improving customer-organisational relationship, responding to customers on complaints or suggestions and by offering after-sale services to customers. Customer acquisition focuses on increasing total sales to new customers. Moreover, it can be done by giving out free samples to new market segments, penetration of new market segments, and introduction of new products and or improving on existing old products. Customer satisfaction does focus on customer survey satisfaction ratings. Strategic measures that may be used include administering of questionnaires to customers and

monitoring a number of repeated patronage of old customers. Other studies argue that experience with the product, frequency of purchase, quality of the product in the sense of the technical design, price are the influencing factors in the performance (Suchánek & Králová, 2015). The main variables tested in a research conducted on the customer satisfaction on firm performance found customer satisfaction, trust, commitment, customer loyalty have a direct influence on firm performance (Soltanmoradi, Poor, & Nazari, 2013).

Malgwi and Dahiru (2013) used innovation, operations and post sales services as factors to be included in performance evaluation. Innovation process requires managers to research the needs of customers and from there they can create the product or service that best meet those needs. It deals with production and delivery of existing products and services to the customers. Post-Sales Service Process represents the final item in the process value chain for the operations process perspective. It mainly focuses on how responsive the organisation is to the customer after the product or service has been delivered. After sale services include warranty and repair activities, treatment of defects and returns, administration of customer payments and resolution of customer problems/complaints.

Malgwi and Dahiru (2013) revealed that employee's capabilities, motivation, empowerment and alignment are very fundamental themes to consider in an organisation. Employee capability focuses on ensuring that every employee is able to deliver a service that would put the organisation in the best advantageous position. They suggested training of staff to master existing ways of doing the job as well as adopting new ways and making staff attend internal and external workshops and seminars on new trends relating to the job and industry as the strategic measure that can be taken to achieve this theme. Motivation, empowerment and alignment, focus on considering individual goals when formulating organisational goals to bring into alignment. The strategic measures which can suit this theme includes training existing staff to acquire new knowledge of the job rather than replace them with new staff and welcoming individual suggestions on ways to improve existing products/processes or developing newer and better ones.

Kaplan and Norton (2010) argued for employees' satisfaction, a number of employees required, alignment of employee skills with jobs and employee training as the important factors to be considered in an organisation. All these should be in line with achieving of the organisational goals. Wairu et al. (2013) on the study about the effects of balanced scorecard in performance of firms in the service sector argued that learning improves the internal business process. Then when the business process is improved leads to improved customer satisfaction which in turn leads to improved financial results.

Methodology

Research Design

The study was based on inductive approach where detailed and understanding according to cooperative philosophy and environments are explored hence exploratory research design. The key informants who understand the concept of performance measurement were selected purposely. A qualitative study was opted in order to get the detailed insight from the experts as well as the documentary review on the performance measurement system due the concept not to be very much familiar among the cooperative members who according to the cooperative structure are the decision makers.

Study Area

The study was conducted in three regions of Kilimanjaro, Arusha and Manyara where the key informants were selected purposively. Kilimanjaro region was represented by Moshi co-operative University (MoCU), Kilimanjaro Native Co-operative Union (KNCU), Assistant Registrar's Office while Arusha was represented by Assistant Registrar's Office. Manyara was presented by Rift Valley Co-operative Union (RIVACU) and Assistant Registrar's Office. The rationale for focusing on these offices is that they have been involved in co-operative sector for so long and therefore rich of valuable information.

Data Collection and Collection Methods

The aim of the study was to explore the factors which can be used in the comprehensive performance of the co-operatives. So long as the performance measurement system might be a complex concept for co-operative members (owners), a thorough literature review was done to identify various factors which have been used in other studies. The factors were summarized and compared with the empirical data from the respondents. The key informants were used through in-depth interviews and focus group discussions (FGDs) to identify factors and items that are supposed to be included in the performance evaluation framework. The approach was necessary due to the complexity of the performance measurement system concept, especially in cooperatives (Simkhada, 2017). The key informants for the study consisted of 15 experts from Moshi Co-operative University (2), Registrar's offices (3), Co-operative managers (6), co-operative officers (3) and Co-operative board members (3). MoCU respondents were the senior academicians' who are co-operative experts in more than 30 years. This was purposively done because they have been teaching, researching and working in the field for so long. The key informants approach was inevitable because the concept requires people who know the nature of these institutions. The responses were written in the notebook and others were recorded upon their consents. The researcher provided a friendly atmosphere that stimulated participants to openly discuss their ideas and to actively interact.

For reliability, the researcher used also textual data approach through documentary review method to see the areas which the co-operatives were more concerned during their plans and meetings. The documents were the Annual General Meeting (AGM) reports. The documents taken were those approved and signed by the co-operative Officers. These reports do consist of the Chairman's report, the coming year budget, business plan (for this study only one co-operative attached), minutes of the current year and the previous year. Therefore, the researcher saw this to be a very rich source of data. Documents were accessed from eight (8) co-operative AGM reports.

Data Analysis

Content analysis was used to analyze data obtained from the key informants and FGDs. The first step was coding data, and then categorized, sorting and retrieving. Transcribing was done from the recorded information to the text. In addition, the notes which were written in the notebook were also transcribed in the word text. Then the coding was done from the text where the sentences which share the same idea were coded the same. After coding, there was a need to give them themes and sub themes. The theme was developed depending on the objective of the study. In this case, the performance measurement aspects and the measures for the aspects were the

main categories. The data were further categorized into five aspects: Financial, human capital, business process, member/customer and social. Data were analysed after reducing them to the analyzable format and then documenting them in the form of descriptions and interpretation.

Findings and Discussion

The data obtained from the study were summarized in five aspects. There are those which can be grouped in the social aspect, human capital, business process, member/customer aspect and financial aspect. The documentary review identified some of these aspects in various co-operatives (Table 2). For the key informants, the same themes have surfaced during interviews and discussion as will be discussed in this section.

Table 2: Summary of the Documentary Review

| Aspects of concern during Annual General Meeting (AGM) | | | | | |
|--|--|---|--|---|--|
| AMCOS | Financial | Human capital | Business process | Member/customer | Social |
| Mamsera | profit, return from investment(building) | employment | internal control, communication, budget preparation, input supplies, networking, fraud management | farm campaigns, prize award for the best farmers, extension services | Sponsoring students from the community |
| Makiidi | financing,price,s hare contribution,inter nal capital | | external auditor, new projects, forming committee, networking, financial statements, increase production, budget preparation | | |
| Keni | selling,financing though loan | employment, regular seminars, employee remuneration | Budget preparation, external auditor, communication, attending meeting, promotion, quality | members benefits, agricultural inputs, training to member, extension services | |
| Mengwe | bonus, shares, renting, budgeting | Staff training | quality, networking, auditors, networking | paying members, training, farm visits | |
| MkuuMas aseni | loan problems, financing issue | human resource | increase production, theft measures, | Members education, promotion, subsidies, Membership change | |
| KirwaKen iMrere | Selling, budgeting, price, financing | | auditor, networking | supply of seedlings | |
| Usseri | ROA, collection, financing, price fixation | | Networking | members shifting | |
| Mahida | Share, budgeting, price, capital growth, profit increase | empowerment and training | Investment, business plan, technology use, networking | Loyalty, membership promotion, increase, members | |

Source: Field (2018)

Social Aspects

Respondents recommended changing the current performance measurement system to balance the view of the co-operative in terms of financial and non-financial performance. Among the vital changes suggested was to include the social aspect when evaluating co-operative performance. Based on that, one of the respondents argued; “.....*social aspect is very important to be included.....there is a time when TANESCO co-operative distributed sheets to the community (KII, May 2018)*. It was also claimed that the co-operative has been collaborating with the community in addressing some of the challenges. When respondents were asked what aspect do you consider being the first to deal with, one of the respondents claimed social aspect to be the first. In **Table 2 below**, we can see how Mamsera has been sponsoring two students for secondary school. However, little emphasize is given by other co-operatives as can be evidenced from the documentary review that apart from Mamsera, social aspect was not an agenda for the meetings. Although sometimes social aspect can be overlooked, it is emphasized in the seventh co-operative principle, the concern for community. Therefore, one could argue that, so long as these co-operatives are involved in social practices, it is prudent to evaluate the same when comes the issue of performance. One of the key informants argued that; “... *It is not good to profit while the community is suffering (KI2, May 2018)*. It implies that, wherever co-operative is operating should consider the well being of the surrounding community. The logic here is the co-operative is a community product, then when the community is good it will have strong institutions (for this case co-operative) as well.

However, social aspect goes beyond helping the community and therefore helping in achieving the social benefits within the co-operatives’ members as well is crucial. It means that, members are in the co-operative to fulfil their economic as well as social benefits. The study also revealed that in order to achieve the social benefits, members’ participation is of paramount. By participating is when decisions will be made by majority on social areas which seem to them as of priority and importance and the decisions are made democratically.

The study likewise found the indicators for measuring the performance of social aspect in collaboration with the community and a number of assistances/aids to the society. That means that as a co-operative collaborates with the society surrounding it, there is a possibility to attract more people to join the co-operative and feel comfortable to supply resources to the institution. The same applies when the co-operative gives aid or assistance to the community, firstly there a possibility of saving people’s lives as well as empower them whether financially or socially. The return of this action can have a far reaching benefit to the co-operative. Therefore, having knowing the level of collaboration of a certain co-operative and the number of the aids or assistance given to the community is a proxy measure of the social performance aspect.

Human Capital Aspect

On human capital aspect, the respondents stressed the area to be central for the co-operative development. One of the key informants argued that;

Education and training should be given to members first because when members have knowledge, it will be easy to understand when the management makes mistakes... by training they will understand how to get good leaders as well as how to translate the vision (KI, May 2018)

In addition, it was ascertained that when membership education is given, it would be possible for members to engage in strategy formulation effectively and participate fully in improving the other remaining functions. The response provides a bold argument on the need to have strong

members before other structures. This is because the decision makers of these institutions are the members. Now in order to have an informed decision education and training is very important. It is from this line of argument another respondent argued that, “... *members should be able to direct leaders and management on what they want their co-operatives to be (KI5, May 2018)*”. The argument here holds water so long as members are the owners who elect few among members to lead them. Therefore, having educated members implies having educated leaders. The same applies that having educated members it means having people who can question their leaders.

However, apart from members’ education, training should extend to board members and to the staff, although one of the respondents claimed that; “...*the budget which is set for training, is insufficient (FGD, May 2018)*”. Usually the budget is approved by members during the AGM. Then, if the budget is claimed to be insufficient it is an indication that members themselves do not put education as a first priority. This can be confirmed from one of the respondents in the FGD who ascertain that, “...*members just remain silence and hopping that everything will be done by the management (FDG, May 2018)*”. This shows how members are not empowered enough to manage their institution. Another respondent revealed that even if they have a training conducted, during that training they are not committed to the trainings for getting skills rather most of them are after allowances. Furthermore, it was also claimed that, in AGMs, things like training is discussed rarely. This can be evidenced from the documentary review in **Table 2** where the training is seen not to be discussed much in the AGM. Additionally, there were some claims that some board members and members think that when they educate staff/management, they will look for ‘greener pastures’ elsewhere. This implies that such co-operatives have a cycle of illiteracy from members to staff.

During the interview and focus group discussion, the following were identified as measurement indicators for human capital: number of trainings, type of trainings, number of staff, skilled staff, level of understanding, duration of training increase number of staff and competent staff, minimum required skills for the job, employee satisfaction and market availability. The factors identified match with those under the areas of performance that have been summarized in **Table 2** of documentary review.

Business Process Aspect

The study found that internal business aspect is a challenging and important area in co-operatives. One of the respondents claimed that, although business process aspect is very important for consideration in evaluating performance, yet the area is poorly taken into attention. “...*this section for our co-operative is not doing well....for example marketing is not doing good, books [of accounts] are not audited...weak plans (FGD, May 2018)*”. In evidencing this situation, respondents claimed that co-operative do not carry out auditing and inspection and sometimes they fail to respond to audit queries. One of the respondents reported that, “... *[They] failed to get loan because the financial reports were not audited (KI6, 2018)*”. Also, the study revealed that some do not adhere to the co-operative rules and regulations, internal control systems, strategies development and preparation of strategic plans.

It further establishes the inability to deal with cases in courts, producing quarterly reports, a gap between the time to act and the AGM, communication and feedback among studied co-operatives. The findings imply that the co-operatives lack the mechanism to improve their business processes. According to the AGM reports reviewed in Table 2, it can be seen that this area is addressed by nearly all co-operatives. What is not seen from the reports is what are

strategies toward the achieving the co-operatives plans. In addition, no any proper measuring mechanism is put forward in the performance evaluation. The study also found from the interview and FGDs that, the indicators which are suitable according to the respondents and documents reviewed are; facilities availability, quick service delivery, quality service, the use of website services which meets members' needs, collecting and selling members' crops, auditing and inspections. These measurement indicators were suggesting that if are used properly, will help the cooperatives to manage well in their business operations.

Members/customers Aspect

Members have dual roles in co-operatives; they are both supplier and consumer of the resources. In trying to understand the factors which can be used for performance in this area, the study found member participation to be very important for the betterment of the co-operatives. This goes together with the co-operative being able to meet the member's needs. It means that, so long as members are the customers of their own co-operatives, they should participate fully in producing their products. Therefore, by doing so it is possible to attract potential customers as well as external customers who are going to buy their crops. It was revealed that one of the contributing factors for this to happen is member commitment. The question was asked on how committed the members were, and the answer was: "*.....Most of the members and board members are not committed (KI, May 2018)*". We have to remember that, members are the owners of their co-operative vision and Mission. Now here comes the serious case that, the one that is required to follow his/her vision is not committed to it. This can have two possible reasons: one could be that, the member is uneducated and two might be the member is not real knowing why he/she is a member (Lack of Vision). Another respondent reported that: "*...many of them [members] are not committed, they are locked to formula of AGM.....not outgoing ...and it is easy to tell [them] there is no fund (KII, May 2018)*". This means members are just leaving the co-operative to leaders and managers and wait until the end of the year to receive the annual report. This lack of commitment automatically will affect the performance of the co-operatives. Members take co-operatives as a place to solve their problems without involving direct to the social economic activities. Hence, one could say the members do not own their co-operatives. Some members consider the co-operative as something that belongs to board members and managers.

Likewise, the study revealed that some of the board members are also not committed rather they are after meeting allowances and other benefits. As discussed previously in the human capital aspect, when there are strong members the chance to have good board members is big and the vice versa is true, the results given here is the outcome of having uncommitted members as well. Therefore, one could argue that if the commitment is lacking, we expect also members' satisfaction to be low because the possibility of the co-operative to deliver without members' commitment is nearly negligible. The factors established by the study participants as being suitable for measuring performance in this aspect are; increase of members, members' economic participation, ability to utilize opportunities, participation in meetings, participation in decision making, members' satisfaction, membership promotion, farm visits and level of cooperation among themselves.

Financial Aspect

In assessing the factors suitable for the financial construct, the findings indicate that most of the board members and members are interested in the financial matters. There was a claim that during their meetings the discussion is based on the financial matters. The claim from one of the respondent was; “.....when in meetings they discuss much on the financial issues than it could be in the non-financial matters (KI, May 2018)”. This has led the members and board members to put even more emphasize on the meeting allowances as argued by the informants. In trying to establish whether the financial matters discussed in the meetings address the strategic issues, the study revealed that both members and board members do not use their time to discuss strategic issues concerning with their cooperative rather on the amount of money they will get after the meetings as seating allowances.

In case focus during the meetings (both AGM and Board Quarterly Meetings), their focus is on the availability of money to be paid to them as a meeting allowance. From these findings, it can be concluded that there is a focus on the money availability, but without strategic issues on how this money will be obtained and the efforts required to generate the same. Meaning that is as if members want ready-made money. There was also a claim that, “...during the annual meetings, members leave the venue after the allowance that led some of leaders in collaboration with cooperative officers to decide a time for giving members allowances to be after the meeting (KI, May 2018). However, in the documentary review (Table 3), the financial area is captured well where it is observed that the studied co-operatives prepare budgets, plan on how they will finance their activities, set price, manage fraud as well as appointing the external auditor for their financial statement. However, all these are seen as not originating from members rather from some few experts.

The study found that in the financial aspect, the suitable indicators which can be used and reflect the financial aspects were: growth of assets, profitability, price, ROI, revenue growth, shares, internal power house, dividend and cost of production. This means as co-operatives, they should strive to utilize their assets like buildings, land and vehicles to generate income. The utilization benefit should go down to the member so that they will produce quality crops, hence fetching good market. From good market will be possible to have good price and good revenue, which then the profitability will be evidenced. Also in order to have a good financial health the cooperative is supposed to mobilize sufficient capital through shares, but also be able to build a strong internal power house through SACCOS formation as well as linking with other financial institutions so that could be possible to mobilize fund for paying advances for the crops collected from the members.

Conclusion and Recommendations

After thorough and extensive literature review, document review, interviews and focus group discussions with the key informants on the performance evaluation of co-operatives, factors and items to be used in the comprehensive performance evaluation were identified and assessed. Experts gave their opinion on the constructs and performance indicators as well as factors which are supposed to be involved in the performance measurement system. The study summarized the aspects found into five aspects: financial, member, internal business process, human capital and social aspect. Each aspect was accompanied by its respective measurement indicators. These factors and indicators are useful to the agricultural cooperatives which need to improve in both short and long term. By adhering to these aspects and factors obtained, it will help the co-

operatives to monitor their performance time to time hence providing quality services to their members. The area for further study should be to test the applicability of the five aspects through survey to members (owners) and establish the causal relationships between the factors and such aspects by using strong model like structural equation modelling. The other remaining issue is whether the performance indicators are derived from the co-operative strategy. This will help to develop a framework which could be used to form a benchmark for the performance evaluation of co-operatives.

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