

Investigation on Key Performance Indicators Used by Private Organization in Evaluating Operations: A Case Study of Alliance One Tobacco Tanzania Limited

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Abstract:- This study intends to identify key performance indicators used by AOTTL in evaluating the AOT's operations. The study employed a case study research design. The targeted population comprised 255 staff from AOTTL. The sample size was 83 participants. This study used simple random sampling and purposive sampling techniques in selection of respondents. Data were collected by using questionnaire, interviews and documentary reviews. Quantitative data were analyzed by using descriptive statistics while qualitative data were analyzed by using thematic analysis. The study found a strong consensus on the effectiveness of KPIs: 94.3% of respondents agree or strongly agree that KPIs are used to assess crop cultivation efficiency, 86.3% affirm their effectiveness in processing activities, and 82.5% recognize their relevance in supply chain management. Additionally, 91.3% believe the KPIs accurately reflect marketing success, while 77.5% of employees are aware of the KPIs for crop evaluation. In conclusion, the KPIs are seen as valuable tools for operational improvement and performance assessment at AOTTL

Keywords:- Key Performance Indicators, Private Organization and Operations.

I. INTRODUCTION

In the private sector, the pursuit of competitive advantage is relentless, with effective performance management systems (PMS) playing a crucial role in achieving this edge. Key Performance Indicators (KPIs) are central to these systems, serving as quantifiable measures that organization use to evaluate the success of their operations, align workforce efforts with strategic goals, and drive continuous improvement. The selection and implementation of KPIs can significantly impact an organization's ability to assess performance, identify areas for improvement, and sustain competitive advantage (Samwel, 2018).

This study focuses on the investigation of KPIs used by private organizations, specifically Alliance One Tobacco Tanzania Limited (AOTTL), to evaluate their operations. AOTTL operates in a highly competitive and dynamic industry where effective performance evaluation is critical to

maintaining operational efficiency and market position. The study aims to explore how AOTTL utilizes KPIs across its various operations, including crop cultivation, processing, supply chain management, and marketing, to enhance organizational performance.

In Tanzania, the introduction of PMS in both public and private sectors has been driven by the need to improve efficiency and accountability. Despite these efforts, there is still much to be understood about the effectiveness of these systems in the private sector, particularly in the context of evaluating operations through KPIs (Hvidman & Andersen, 2014).

This study aims to contribute to this understanding by examining how AOTTL's use of KPIs impacts its overall operations. By investigating the effectiveness of these indicators in evaluating operations, the study seeks to provide insights that can be applied not only within AOTTL but also across similar organizations in Tanzania's private sector.

II. THEORETICAL UNDERPININGS

This study was guided by Agency Theory, which was formalized and popularized by Michael C. Jensen and William H. Meckling in their influential 1976 paper titled "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure" (Jensen & Meckling, 1976). This foundational work laid the groundwork for understanding the dynamics between those who own a company (principals) and those who manage it (agents).

At the heart of Agency Theory is the principal-agent relationship, which describes the dynamic between a principal (such as shareholders or owners) who delegates authority and an agent (such as managers or executives) who carries out work on behalf of the principal. The theory primarily addresses the agency problem, which occurs when the interests of the principal and the agent diverge. For instance, managers may pursue personal goals or make decisions that do not necessarily align with the shareholders' best interests, leading to agency costs—expenses incurred to ensure that the agent acts in the principal's best interest. These costs include monitoring expenditures, bonding costs

borne by the agent to commit to the principal's interests, and residual losses from any remaining divergence in interests (Jensen & Meckling, 1976). Additionally, Agency Theory explores information asymmetry, where the agent typically has more information about their actions or intentions than the principal, leading to potential issues like adverse selection or moral hazard (Eisenhardt, 1989).

In the context of this study, Agency Theory offers a valuable perspective on the relationship between AOTTL's management (agents) and its shareholders or owners (principals). One of the critical applications of Agency Theory in this study is understanding how KPIs can align the interests of managers with those of shareholders. By establishing clear and measurable goals through KPIs, the company can ensure that managers are focused on activities that enhance shareholder value, thereby mitigating the agency problem (Eisenhardt, 1989). Furthermore, KPIs can help minimize agency costs by providing a robust mechanism for monitoring and evaluating management performance. Regular performance assessments against these KPIs enable shareholders to verify that management actions are in line with their expectations (Jensen & Meckling, 1976). Agency Theory also sheds light on the issue of information asymmetry between shareholders and management. By implementing transparent and well-structured KPIs, AOTTL can reduce this information gap, fostering better decision-making and trust between the parties. Additionally, the theory emphasizes the importance of incentive structures, such as performance-based bonuses tied to KPIs, which can motivate managers to act in the shareholders' best interests (Eisenhardt, 1989). This study could explore how AOTTL uses KPIs within its incentive systems to ensure that managerial actions are aligned with shareholder value creation. Lastly, Agency Theory provides a framework for

evaluating the effectiveness of AOTTL's KPIs. By examining how these indicators help address the agency problem and align the goals of managers with the organization's strategic objectives, this study can assess their role in enhancing overall organizational performance.

III. METHODOLOGY

AOTTL, located in the Mkambalani ward of Morogoro Municipality, plays a crucial role in the tobacco industry, making it a significant case by examining how AOTTL's use of KPIs impacts its overall operations. The study employs a case study research design to provide in-depth insights, utilizing a mixed research approach to combine qualitative and quantitative data. The target population comprises all 255 AOTTL staff, with a sample size of 83 participants selected through simple random and purposive sampling techniques. Data collection was conducted using questionnaires and semi-structured interviews, with quantitative data analyzed using SPSS and qualitative data through content analysis. The study ensured the validity and reliability of the research instruments and adhered to ethical standards, including obtaining necessary approvals, maintaining confidentiality, and securing informed consent from participants.

IV. FINDINGS AND DISCUSSION

Table 1 presents the KPIs utilized by Alliance One Tobacco Tanzania Limited to evaluate its operational performance. These KPIs are essential metrics that help AOTTL assess various aspects of its business. By analyzing these indicators, AOTTL can identify areas for improvement, track progress, and ensure that its operations are aligned with its overall business objectives.

Table 1 The KPIs Used by AOTTL in Evaluating Operations

S/No	Scales/ items	Strongly Disagree		Disagree		Agree		Strongly Agree	
		n	%	n	%	n	%	n	%
1	AOTTL uses KPIs to assess the efficiency of its crop cultivation processes.	2	2.5	3	3.8	36	45.0	39	48.8
2	The KPIs effectively measure the performance of the organization's processing activities.	3	3.8	8	10.0	37	46.3	32	40.0
3	AOTTL evaluates its supply chain management using relevant and meaningful KPIs.	4	5.0	10	12.5	34	42.5	32	40.0
4	The KPIs adopted by AOTTL accurately reflect the success of its marketing strategies.	2	2.5	5	6.3	32	40.0	41	51.3
5	Employees at AOTTL are well-informed about the KPIs that are used to evaluate crop cultivation operations.	12	15.0	5	6.3	26	32.5	36	45.0
6	The KPIs applied by AOTTL in supply chain management provide valuable insights for improvement.	1	1.3	2	2.5	35	43.8	42	52.5
7	AOTTL's evaluation of marketing effectiveness through KPIs is transparent and easy to understand.	1	1.3	12	15.0	42	52.5	25	31.3

Source: Field Data (2024)

The evaluation of AOTTL's operations through KPIs reveals significant insights into the organization's efficiency and effectiveness across various domains. The data collected

illustrates a predominantly positive perception of KPIs among respondents, underscoring their importance and utility in assessing AOTTL's operational performance.

Firstly, the use of KPIs to assess the efficiency of crop cultivation processes is largely supported, with 93.8% of respondents either agreeing or strongly agreeing with this statement. This consensus highlights that KPIs are a crucial tool for monitoring and improving the efficiency of cultivation processes, ensuring that AOTTL can optimize its agricultural output and resource utilization. An HR representative noted, *"Our KPIs are specifically designed to track every stage of cultivation, helping us identify areas where we can save costs and enhance productivity."* These findings align with Paul (2021), who observed weak implementation of OPRAS due to management's laxity in monitoring its application.

Similarly, the effectiveness of KPIs in measuring the performance of the organization's processing activities is affirmed by 86.3% of participants who either agree or strongly agree. This widespread agreement suggests that KPIs are integral to maintaining and enhancing processing efficiency, which is pivotal for converting raw agricultural produce into final products. As one HR personnel commented, *"KPIs in processing give us a clear picture of where we stand, making it easier to pinpoint inefficiencies and take corrective action swiftly."* This view concurs with Gackowiec et al. (2020), who found that KPIs are crucial for organizations to achieve their goals.

The application of relevant and meaningful KPIs in evaluating supply chain management is recognized by 82.5% of respondents. This strong endorsement indicates that KPIs are vital in ensuring the smooth functioning and continuous improvement of the supply chain, which is critical for the timely and efficient distribution of products. According to an HR official, *"Our supply chain KPIs are not just numbers; they drive the entire logistics operation, ensuring everything runs like a well-oiled machine."* These findings are consistent with Agency Theory, which suggests that agents are incentivized to work efficiently toward the principals' goals, thereby reducing agency costs and promoting continuous improvement.

In terms of reflecting the success of marketing strategies, 91.3% of respondents agree or strongly agree that the KPIs used by AOTTL are accurate and effective. This high level of agreement underscores the importance of these indicators in tracking and enhancing marketing efforts, which are essential for maintaining a competitive advantage and customer satisfaction. An HR representative emphasized, *"Our marketing KPIs are crucial—they tell us exactly how our strategies are performing in the market, allowing us to adapt quickly to maintain our edge."* This perspective aligns with Markerly (n.d), who observed that KPIs are strategic tools providing a significant competitive advantage.

Employee awareness about the KPIs used to evaluate crop cultivation operations is also significant, with 77.5% of respondents acknowledging their awareness. This widespread knowledge among employees is crucial for aligning their efforts with organizational goals and ensuring that performance metrics are understood and acted upon at all levels. As one HR personnel stated, *"We make it a priority to*

educate our employees on the KPIs, so everyone knows what's expected and how their performance impacts the company's success." This finding supports Maseke et al. (2022), who suggested that organizations should introduce a career path based on performance management, rewarding those who perform above their goals.

The insights provided by KPIs in supply chain management are highly valued, with 96.3% of respondents agreeing or strongly agreeing on their usefulness. This overwhelming consensus indicates that these KPIs are instrumental in identifying areas for improvement, driving efficiency, and supporting decision-making processes. According to an HR official, *"Our KPIs in supply chain management are key to our operational success—they help us stay on top of every detail, from procurement to delivery."* This observation aligns with Setiawan and Purba (2020), who found that KPIs can change behavior in an organization and improve business results or operational performance.

Finally, the transparency and comprehensibility of KPIs used in evaluating marketing effectiveness are affirmed by 83.8% of respondents. This substantial majority suggests that AOTTL has implemented clear and understandable performance measures, which are essential for ensuring that all stakeholders can track and comprehend marketing outcomes. As an HR personnel noted, *"Transparency in our KPIs is vital. It ensures that everyone from management to employees can clearly see how we're performing and where we need to improve."* This supports Agency Theory, as clear performance measures help principals monitor and evaluate the agents' performance effectively, fostering trust and alignment of interests, thereby reducing potential conflicts and enhancing overall organizational performance.

V. CONCLUSION

The evaluation of AOTTL's operations through Key Performance Indicators (KPIs) underscores their pivotal role in driving organizational efficiency and effectiveness. The high approval ratings for crop cultivation, processing activities, and for marketing strategies reveal that KPIs are essential for optimizing various aspects of the business. HR personnel's insights affirm that KPIs are not only effective in tracking performance but also crucial in fostering improvements and strategic adjustments. Employee awareness and the significant value placed on supply chain KPIs further highlight their importance in ensuring smooth operations and informed decision-making. Overall, the strong support and clear communication of KPIs illustrate their effectiveness as strategic tools that enhance operational success and competitive advantage.

PRACTICAL IMPLICATIONS

The practical implications of utilizing KPIs at AOTTL are substantial, as they offer a framework for enhancing operational efficiency and strategic decision-making. By effectively implementing KPIs, AOTTL can monitor and optimize crop cultivation, processing activities, and supply chain management, leading to improved productivity and

cost-efficiency. High employee awareness of KPIs ensures alignment with organizational goals, fostering a performance-driven culture. Additionally, the clarity and transparency of KPIs support better communication and trust among stakeholders, enabling more informed and strategic adjustments. Ultimately, the strategic application of KPIs helps AOTTL maintain a competitive edge, drive continuous improvement, and achieve operational excellence.

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