COMPETITIVE STRATEGIES AND PERFORMANCE OF DEPOSIT TAKING SACCOS IN MURANGA COUNTY, KENYA.

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D53/NYI/PT/32065/2015

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT) OF KENYATTA UNIVERSITY

JULY, 2018
DECLARATION

This project is my own original work and has not been presented for award of any degree in any University. No part of this proposal should be reproduced without the permission of the author or Kenyatta University.

Signed: ___________________________  __________________

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D53/NYI/PT/32065/2015

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

Signed: ___________________________  __________________

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DEDICATION

This research project is dedicated to all who played an instrumental role in the course of developing this document. I dedicate this to my entire family for their love and encouragement. I also dedicate this to the Almighty God who provided me with good health and the gift of life.
ACKNOWLEDGEMENTS

I acknowledge the support of one Dr. Paul Waithaka, my supervisor for his guidance in the course of preparing this research project. I further salute him for his devotion in ensuring that this task was completed within the set timelines. Special regards to Madam Gladys Kimutai, Research Methods course unit lecturer who also played a key role in the accomplishment of this task.
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### OPERATIONAL DEFINITION OF TERMS

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<tr>
<td><strong>Cost Focus</strong></td>
<td>A strategy where a player seeks cost advantage in its target segment which must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments.</td>
</tr>
<tr>
<td><strong>Differentiation</strong></td>
<td>A condition where firms try to stand out as unique in the market or industry along some dimensions that are widely valued by buyers. The player or firm selects important attributes to many buyers in an industry and then uniquely positions itself to meet those needs and charges a premium price for that.</td>
</tr>
<tr>
<td><strong>Differentiation Focus</strong></td>
<td>A strategy through which a player seeks differentiation in its target segment which must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments.</td>
</tr>
<tr>
<td><strong>Focus Strategy</strong></td>
<td>A marketing strategy through which a firm concentrates resources on entering or expanding in a narrow market or industry segment. The competitive strategy is effective where the company knows its segment and has products to competitively satisfy its needs.</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>This is essentially the extent to which a firm meets its objectives through its activities, processes, strategies and action plans. It is also the efficiency with which the firm exploits its resources to generate profit and grow shareholders’ wealth.</td>
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## ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>ICA</td>
<td>International Cooperative Alliance</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperative Society</td>
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<td>SASRA</td>
<td>SACCO Societies Regulatory Authority</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientists</td>
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<td>WOCCU</td>
<td>World Council of Credit Unions</td>
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ABSTRACT

The World Council of Credit Unions (WOCCU) reports that Kenya has the highest fraction, in percentage points, of Gross Domestic Product (GDP) attributable to cooperative societies globally. SACCOs have continued to face drawbacks despite their significant contribution in the economy. Key among the challenges facing SACCOs is heightened level of competition in the financial sector. The SACCOs have therefore to rethink their strategic direction in order to remain focused and driven towards their objects. This study sought to determine the effect of competitive strategies on performance of Savings and Credit Cooperative Societies in Muranga County of Kenya. Specifically, the study sought to establish the effect of cost leadership, differentiation, focus cost and focus differentiation on the performance of SACCO’s. Performance indication embraced profitability as well as market based measures or perspectives for better comparisons. The study used market based measures (Market share) and turnover growth as the choice metrics of performance measurement. The study used a census study approach to select all the 8 active SACCOs in Muranga County as provided by the department of cooperatives of Muranga County Government. The study also purposively selected CEOs, Accountants, Credit Managers, Marketing Managers and all the 4 Executive Board Members as the choice class of respondents. This sampling procedure led to a total of 64 respondents selected. The study assessed non-financial performance of the SACCOs for 4 financial years 2012/2013-2015/2016. Both primary and secondary data sources were used. Questionnaires were used in collecting primary data. The instrument was tested for reliability using Cronbach’s Alpha Reliability test while content validity was assessed using expert opinion. Secondary data was collected from the annual financial statements and other reports of the SACCOS. The study employed both descriptive and inferential statistics in analysis and used correlation and regression analysis as key analytical models. Results established wide disparities in performance of the SACCOs in Murang’a County. Regression results demonstrated that competitive strategies (cost leadership, differentiation, focus cost leadership and focus differentiation) all yield statistically significant effect on performance of SACCOs indicated by market share and growth in turnover. The Coefficient of Determination or R square stood at 0.763 which implied that 76.30% of the variation in the Performance of SACCOs was explained by variability in the variables under competitive strategies i.e. cost leadership, differentiation, focus cost leadership and focus differentiation. Pearson Correlation Analysis results further demonstrated a positive relationship between all competitive strategies assessed i.e. cost leadership, differentiation, focus cost leadership and focus differentiation and performance of SACCOs. The study recommends more pursuit of competitive strategies as demonstrated in the Ansoff framework to enhance performance and build competitive advantage of the SACCOs. Investors, management, government, researchers and academicians will greatly benefit from this study as it provides viable insights that could guide decisions to serve their interests on the critical subject of enhanced performance.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The World Council of Credit Unions identified Kenya’s SACCO sub sector as one of the fastest growing in the world. In its 2013’s report, WOCCU identified the sectors growth as top in Africa and at 7th Position in the World (Olando, Jagongo, & Mbewa, 2013). The growth trends logically means a heightened level of competition as all the players seek a share of the market pie. SACCOs have therefore to device ways to gain competitive advantage, remain relevant and survive competition (Wanyama, 2009).

Since 1908 when the first cooperative society was formed in Kenya, the societies have continued to impact significantly in sectors, such as agriculture, banking, credit, agro-processing, storage, marketing, fishing, housing and transport, among others (Bwana & Mwakujonga, 2013). As gathered from the World Council of Credit Unions (WOCCU), Kenya has the highest fraction, in percentage points, of Gross Domestic Product (GDP) attributable to cooperative societies globally. The average contribution stands at 45 per cent. The closest country to Kenya is New Zealand with 22 per cent contribution to GDP attributable to SACCOs. Hence SACCOs play an important role in the economy. In fact, as observed by the SACCO Societies Regulatory Authority, at least 8 million Kenyans are members of SACCOs while 20 million depend on the movement indirectly (Owen, 2007).

Mumanyi (2014) observes that despite their significance to the economy, SACCOs have not been without their own fair of challenges. Competition has effectively edged out a notable number of players. SACCOs must therefore explore strategy options available for their own survival and superior performance. Li and Li (2008) presents competitive strategy as the long term action plan applied to help a company gain a competitive advantage over its rivals in the
industry. A firm’s position within its industry determines whether its relative performance is superior or inferior to the industry average. Sustainable competitive advantage emerges as the central foundation long run firm performance. A firm’s competitive advantage can take two dimensions; low cost or differentiation. As such, the two dimensions of competitive advantage pooled with the scope of actions from which a firm seeks to realize them, lead to three generic strategies for achieving and surpassing the industry average performance. The competitive strategies are cost leadership, differentiation, and focus. Essentially, the focus strategy has two variants namely; focus cost and focus differentiation (Porter, 2007).

1.1.1 Performance

Performance measurement is a critical factor for effective business management for any business arrangement. Performance measurement systems advance the bottom line by cutting process cost and improving productivity and mission effectiveness (Richard, Devinney, Yip, & Johnson, 2009). It also provides a rational basis for selecting what business process improvements to make and when. Performance measurement also allows managers and executives to identify best practices in an organization and expand their application in the organisation. Performance measurement is also critical for organisational benchmarking against other similar organizations (Best, 2009).

Organizational performance incorporates three key areas of firm outcomes. One of the areas highlighted is financial performance which considers aspects such as a firm’s profits and efficiency. Penman and Penman (2007) describes financial performance as the extent to which an organisation achieves its objectives over a specified period of time. Financial performance is usually indicated in terms of overall returns or losses during that particular period. Financial performance is also presented as a subjective measure that essentially indicates how well a firm exploits its assets to generate revenues and profit. It also involves the measurement of the results of a firm's strategies, policies, activities, processes, and operations in monetary terms.
Among the financial ratios that have been used in the assessment of financial performance include Return on Investment (ROI) or Return on Assets (ROA) and Return on Equity (ROE) which are profitability based ratios, Operating Margin (OM) which is an efficiency based ratio. Leverage and Bankruptcy indicators such as solvency ratios and Altman Z Scores have also been applied in assessing the ability of the firm to meet its long term obligations as they fall due.

The other dimension is market performance which may consider sales or market share of the organisation (Richard, Devinney, Yip, & Johnson, 2009). According to Best (2009), market based measures can be approached in three dimensions. The first one uses market performance metrics which are in essence external measures of market performance. Marketing profitability has also been used in relation to market performance and attempts to relate profitability to specific marketing strategies pursued by the organisation. Market orientation is last of the dimensions used to indicate market performance. The methods appreciates the fact that market based measures must be oriented to both the customer and the market. They include customer attraction, retention and attrition rates, market shares, level and growth in turnover or sales as well as marketing profitability (Penman & Penman, 2007).

1.1.2 Competitive Strategies

Porter (2007) has presented a set of generic strategies that firms can employ in their quest for a position in the market. Although the attractiveness of a sector determines the profitability of the industry players, the positioning of the firms is also critical and as such well positioned firms in less attractive sectors may make superior returns compared to poorly position ones in more attractive sectors (Akan, Allen, Helms, & Spralls, 2006). Porter (2007) presents that a firm’s strengths ultimately falls into one of two headings: cost advantage and differentiation.

The author posits that the application of the two dimensions results in three generic strategies
namely cost leadership, differentiation, and focus. The strategies are applied at the enterprise unit level and are referred to as generic strategies since they are not firm or industry dependent.

Figure 1.1: Porter’s Generic Strategies

Source: Porter (2007)

According to Li and Li (2008), each generic strategy offers merits that business entities can potentially leverage to enhance their success. These strategies also come with demerits as well that may undermine their success. Under the Cost leadership strategy, the key word is low cost and a firm sets out to become the low cost producer in its industry. The bases of cost advantage are diverse and mostly depend on the structure of the industry. Among the sources of cost advantage cited include proprietary technology, preferential access to raw materials and the pursuit of economies of scale. Michael Porter argues that if a firm succeeds in achieving and sustaining overall cost leadership, then it will be an above average performer in its industry (Porter, 2007). The facets of cost leadership as informed by include pursuit of economics of scale in offering products. This would be achieved through mass production and distribution. Cost leadership can also be achieved through optimal capacity utilisation, creation of linkages with key service providers as well as pursuit of strategies to enhance cost control and operational efficiency in the organisation (Best, 2012).
The key merit with cost leadership according to Thomson, Strickland and Gamble (2001) is that cost leaders’ emphasis on efficiency makes them well positioned to withstand price competition from rivals. The cost leadership strategy also creates benefits in that the presence of a cost leader in an industry tends to discourage new firms from entering the business. This is essentially because a new firm would struggle to attract customers by undercutting the cost leaders’ prices. As such, the cost leadership strategy creates barriers to entry that protect the firm from new competition. Cost leadership also helps firm’s attract a large market share. This is attributed to the fact that a significant slice of potential customers find paying low prices for products of acceptable quality to be very appealing. The fact that Cost leaders strive to minimize advertising, market research, and research and development may offer long run disadvantage to the firm. Ignorance on key environmental changes as a result of inadequate market research for instance may highly disadvantage the firm (Li & Li, 2008).

White (1986) describe differentiation as a condition where firms try to stand out as unique in the market or industry. In the differentiation strategy, a player seeks to be unique in a particular industry along some dimensions that are widely valued by buyers. The player or firm selects important attributes to many buyers in an industry and then uniquely positions itself to meet those needs and charges a premium price for that (Akan et al., 2006). According to Thomson, Strickland and Gamble (2001), differentiation helps a firm to distinguish a product from similar offerings on the market. Differentiation strategy provides competitive advantage in a market dominated by larger companies. The differentiation strategy the business uses should be effective in delivering the message that the product is positively different from all other similar products available. Differentiation strategy may serve in creating a perceived value among consumers and potential customers. It also allows business to compete in areas other than price which may disadvantage all players. A successful product differentiation strategy also enhances brand loyalty among customers. This is based on perceptions of high quality or cost
savings. Differentiation strategy has been pursued in different forms in the organisation. These include differentiation based on either product, place, promotion, personnel or technology (Spencer, Joiner & Salmon, 2009).

Sharp (1991) presents the focus strategy as a marketing strategy through which a firm concentrates resources on entering or expanding in a narrow market or industry segment. The competitive strategy is effective where the company knows its segment and has products to competitively satisfy its needs. The focus strategy has two important dimensions namely; focus cost and focus differentiation. Under the cost focus, a player seeks cost advantage in its target segment. On the other hand, under differentiation focus, a player seeks differentiation in its target segment. The market focus strategy based on cost or simply focus cost leadership may be achieved by offering products to suit a particular social class as the market niche. It could also be pursued through targeting specific niche based on income level or discriminate selling at different market niche (Li & Li, 2008). Essentially, the target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments (Porter, 2007).

According to Thomson et al., (2001) with the focus strategy, an organization concentrates all its resources mainly on expanding or entering a narrow industry segment or market. The focus cost leadership and focus differentiation strategies have key advantages. By targeting a specific niche, the firm will better meet all the requirements of that specific market. The focus strategy is also useful to small businesses as they characteristically lack the necessary resources for competing industry wide. Firms applying the market focus strategies are likely to have long run competitive advantage achieved through brand marketing and product innovation. Market focus strategies also allows for high return to investments as the targeted market segments are less open to substitutes. Firms undertake several action plans in pursuing the focus differentiation strategy. These include product customisation strategies based on unique market
needs, market niche focus based on unique customer preferences, focus on social class in differentiating offers e.g. prestige selling and focus on physiological aspects of the market in informing the design, package, value and look of the products (Best, 2012).

1.1.3 Muranga County

The study will be conducted in Muranga county of Kenya and will target all the Deposit Taking SACCOs registered in the County. Muranga County is one of the 47 counties established by the constitution of Kenya, 2010 that created counties as devolved units of government. The county lies approximately 85 kilometres north-east of Nairobi and covers 2,558 square kilometres. It borders Murang’a Nyandarua to the west, Embu to the east, Nyeri to the north, Kiambu to the south and Machakos and Kirinyaga counties to the southeast and the northeast respectively.

According to the Kenya Population and Housing Census of 2009, the county has a population of 942,581. The county is made up of seven sub counties namely, Kangema, Kiharu, Mathioya, Kigumo, Kandara, Maragwa and Gatanga Sub County. Muranga County is also home to a number of upcoming towns that include Kangare, Kirwara, Kenol, Maragwa and Kangema. Cooperative Movement activities in the county have been growing in the county. Among the factors given by experts for this steady growth are agricultural productivity and proximity to the capital city of Nairobi.

1.1.4 Performance of SACCOs in Muranga County, Kenya.

Muranga county is home to rich cooperative movement activities. Performance of the SACCO subsector in Kenya is acclaimed as one of the best in the world (Gamba & Komo, 2014). The SACCO Sub Sector contributes 45% of the GDP in Kenya as reported by the World Council of Credit Unions. The subsector was additionally documented as the fastest growing sector in the world by the World Council of Credit Unions (WOCCU) in July 2013. Kenya’s SAACO
subsector is ranked 1st in Africa and 7th internationally by the International Cooperative Alliance. The sub sector offers direct employment opportunities for over 500,000 people and indirect employment opportunities for a further 2 million people (Bwana & Mwakujonga, 2013). The SACCO Society Regulatory Authority (SASRA) indicates that the subsector has been growing at the average rate of 30% per annum. Deposit taking SACCOs which are the main focus of the study account for 78% of the total assets and deposits of the entire Sacco sub-sector. The DTS also command 82% of the total members in the entire SACCO industry (SASRA, 2013). Among the best performing SACCOs in Kenya are headquartered in Muranga County as reported by SASRA and include Unaitas SACCO, Mentor SACCO and Murata SACCO Society Ltd.

1.2 Statement of the problem

There has been a prolific growth of SACCOs in Kenya to the extent that the World Council of Credit Unions identified Kenya’s SACCO sub sector as the top most growing in Africa and 7th fastest growing globally (Gamba & Komo, 2014). However, the increasing number of entrants has led to heightened competition. A number of SACCOs could not withstand the new dynamics in the level of competition which saw a number of SACCOs collapse such as Tena SACCO. According to Allen and Helms (2006), the role of Porter’s generic strategies in keeping the corporate muscle of competitive advantage cannot be underestimated in the current business setting where innovation and technology has completely redefined the manner of doing business. While studies have been done on the role of competitive strategies on performance, enough has not been done on the financial sector and even much littler has been done on the SACCO sub sector despite the critical role it plays in the National Economy.

Munyasia (2014) undertook a study on the effect of competitive strategies on organizational performance in the sugar Industry in Kenya and established that competitive strategies have a
significant positive influence on Sugar Company’s performance. Aykan and Aksoyulu (2013) conducted a study on effects of competitive strategies and strategic management accounting techniques on perceived performance of businesses through a study targeting large size businesses in Kayseri, Turkey. Regression analyses results revealed a little extent of positive relationships between competitive strategies and the perceived qualitative-quantitative performance of businesses. Arasa and Gathinji (2014) conducted a study on the relationship between competitive strategies and firm performance through a case study of mobile telecommunication companies in Kenya. It was established that competition was high in the industry and that product differentiation and low cost leadership were the most commonly used strategies. The studies presents contextual gaps on the need to undertake local studies and replicate the subject at hand to the financial sector.

Pertusa-Ortega, Molina-Azorín, and Claver-Cortés (2009) undertook a study on competitive strategies and firm performance through a comparative analysis of pure, hybrid and ‘stuck-in-the-middle’ strategies in Spanish firms. Relying on a multisectorial sample of 164 Spanish firms, the study established that a large number of the organizations use different types of hybrid strategies and also that such strategies tend to be associated with higher levels of firm performance. Akingbade (2015) conducted a study on competitive strategies and improved performance of selected Nigeria Telecommunication Companies. The research findings revealed a positive relationship between competitive strategies and customer satisfaction, retention and loyalty. The study presents methodological gaps on the need to consider an expanding and objective framework of indicators of firm performance like Return on Assets for profitability. The studies presents both empirical and contextual gaps on the need to consider other dimensions of strategy like generic strategies and need to consider a local study.

Going by the discussion, it was clear that the sustainability of SACCOs especially in the present day business platform will depend on the ability to develop winning competitive strategies.
The review of empirical studies on this subject revealed many gaps that needed to be filled for more useful evidence and growth in knowledge. The gaps included contextual gaps on the need to focus on a local study and target the financial sector, which most past studies have failed to do. The researcher also identified empirical gaps on the need to consider an expanded framework of competitive strategies. Methodological gaps were also identified on the need to consider more objective indicators of performance, which most past studies had fallen short of. As such, to contribute to the growth in knowledge on this critical area, the researcher proposed to conduct a research on competitive strategies and performance of SACCOs in Muranga County of Kenya.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of this study was to determine the effect of competitive strategies on performance of SACCOs in Muranga County of Kenya.

1.3.2 Specific Objectives

i) To establish the influence of cost leadership strategy on performance of SACCOs in Muranga County of Kenya.

ii) To determine the effect of differentiation strategy on performance of SACCOs in Muranga County of Kenya.

iii) To assess the effect of focus cost strategy on performance of SACCOs in Muranga County of Kenya.

iv) To establish the influence of focus differentiation strategy on performance of SACCOs in Muranga County of Kenya.
1.4 Research Questions

i) How does Cost leadership strategy influence the performance of SACCOs in Muranga County of Kenya?

ii) Does Differentiation strategy have an effect on performance of SACCOs in Muranga County of Kenya?

iii) How does Focus Cost Leadership strategy influence the performance of SACCOs in Muranga County of Kenya?

iv) Does Focus Differentiation Strategy have an effect on performance of SACCOs in Muranga County of Kenya?

1.5 Significance of the study

This study offers great value to a number of stakeholders with interest on the SACCO sub sector. The study will help shareholders or investors to make informed decisions in regard to organisations’ strategic direction in relation to competitive strategy. The investors will be able to make informed decisions on proposals by management to pursue competitive strategies. They will be in a position to evaluate the proposals based on empirical evidence presented by the study. The research will also be of great value to the management of the SACCOs and other business segments. Management will be in a position to use empirically tested evidence in making policy decisions and recommendations with regard to corporate strategy. Management decisions making will therefore be enhanced and informed by the study.

The study is of great value to the scholarly class compose of researchers and academicians. The study will be instrumental to academicians particularly because the research seeks to address some gaps that remain open in regard to the role of competitive strategy on firm performance. It will enable the scholars to keep the academic discussions moving towards a worthy conclusion. The is also very useful to researchers with interest in the SACCO sub sector
and competitive strategies. The study aims to make recommendations for further research based on findings and conclusions which may guide future research besides acting as a benchmark for studies to come.

### 1.6 Scope of the Study

The study was confined to the establishment of the effect competitive strategies on performance of Savings and Credit Cooperative Societies in Muranga County, Kenya. In particular, the study addressed the effect of cost leadership strategy, differentiation strategy, focus cost strategy and focus differentiation strategy on performance of SACCOs in Muranga County of Kenya. In essence, the study sought to identify and describe the link of each of the specific variables with performance of the SACCOs in Muranga County. Performance was addressed from a market oriented as well as turnover growth point of view for better understanding and comparisons. The study covered four financial years 2012/2013-2015/2016 with a justification that strategy takes time to yield results and therefore the need to cover a considerable period. The study was carried out in Muranga County, a choice informed by the robust cooperative development activities in the county due to high agricultural productivity and proximity to the capital city of Kenya.

### 1.7 Limitations of the study

The researcher encountered the problem of non-response. CEOs, executive board members, accountants, marketing managers and credit managers of the SACCOs in Muranga County felt hesitant to reveal rather confidential information regarding their entities. This was due to the competitive nature of the SACCO business. To mitigate this limitation, the researcher obtained a research permit from the National Commission for Science and Technology (NACOSTI) as well as an introduction letter from the university to dispel any fear by the management and as a guarantee that the research would purely serve academic purposes. The researcher also
attached a personal commitment letter, assuring the respondents that research ethics would be observed and confidentiality observed.

The data collection was also very hectic owing to the fact that the targeted respondents belonged to a busy class of the organisation’s management. To solve this problem, the researcher adopted the drop and pick method in questionnaire administration. This accorded the respondents some reasonable duration within which they could respond to the questionnaire items and enhanced the response rate.

1.8 Organisation of the Study

The research project is organised in to five main chapters. Chapter one presents the background of the study as well as key objectives informing the study. The importance of the study as well as methods to overcome possible limitations are also captured. Chapter two consists of the literature review which is categorised into theoretical and empirical review. This covers a review of key guiding theories and past studies that guided the study. The chapter culminates in the development of a conceptual framework guided by the research objectives. Chapter three essentially covers the research methodology. It captures tools and statistical procedures used in undertaking the study and addressing the research questions. Chapter four presents the results of the analysis which includes the response rate, bio data, descriptive and inferential statistics. Finally, chapter five covers a summary, conclusion and policy recommendations based on the study findings.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter covers a comprehensive review and presentation of the key theoretical and empirical orientations of interest to the study. The theoretical review presents the theoretical perspectives and arguments regarding the subjects under assessment. The empirical review presents past studies on the subjects of focus and presents the empirical, conceptual, methodological and contextual gaps exposed. The theoretical and empirical reviews are key in guiding the conclusions of the study.

2.2 Theoretical Review

The study will be guided by the following theories.

2.2.1 Michael Porter’s Five Forces Theory

Porter’s theory of competitive strategy was authored by Porter (1979) and essentially illustrates a framework of five competitive forces that shape the choice and application of business strategy. These five forces framework include the bargaining power of customers, the bargaining power of suppliers, the threat of new entrants, the threat of substitute products and the competitive rivalry within the industry. The forces are ideally external competitive forces that influence the level of competitive intensity in an industry.
According Grundy (2006), an analysis of the bargaining power of suppliers requires the analysis of how easy it is for buyers to drive prices down. This condition is usually driven by factors such as the number of buyers, the significance of each individual buyer to your enterprise, the costs involved for switching from your products to those of competitors. If the market is made up of a few but very powerful customers, then they will be able to influence the competitive strategy undertaken by the organization. In contrast to the bargaining power of customers, Chesbrough and Appleyard (2007) argue that the analysis of the supplier power is concerned with the ease with which suppliers are able to drive prices up. This is determined by the number of suppliers of each key input, their strength and control, the uniqueness of their products and the cost of switching from one supplier to another.

According to Porter (2008), the analysis of the threat of new entrants requires an assessment of the ability of new firms to enter the current market. The key factor to consider are the costs and time involved for this entry. Competitors would easily enter the market and weaken your situation if it costs little in time or money to enter the market. This would also be the case if there are few economies of scale in place, and if firms have little protection for their key

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**Figure 2.1 Porter's Five Forces Model**

*Source: (Porter, 2008)*
technologies. Strong and durable barriers to entry can serve to preserve a favorable position and maintaining a firm’s competitive advantage of it. Under the rivalry of competition factor, Chesbrough and Appleyard (2007) argues that the critical issue to consider is the number and capability of your competitors. With many competitors offering equally attractive products and services, then the firm will have little power, because suppliers and buyers have an option if they fail to secure a good deal from the firm. The threat of substitutes is influenced by the ability of customers to get a different way of satisfying their needs without having to buy the products that the firm supplies. If substitution is easy and viable, then this weakens the power of the firm.

Grundy (2006) observes that the model is helpful in understanding the strength of a firm’s current competitive position as well as the strength of a position that an organization may look to move into. The Five Forces Model has been extensively applied by strategic analysts with a view to understand the potential viability of new products and services. According to Porter (2008), the theory is very useful in understanding areas of strength and aids the correction of weaknesses and to avoiding mistakes in future since it gives a clear illumination of where power lies. Essentially, the five forces analysis helps entities to understand the dynamics likely to affect profitability in a specific industry. This understanding then helps corporate stewards in making informed decisions relating to: whether to enter a specific industry; whether to increase capacity in a specific industry; and developing competitive strategies. As such, the model was key in evaluating the effect of differentiation, focus differentiation, cost leadership and focus cost leadership on performance which are the key guiding objectives of the study.

2.2.2 The Resource-Based View (RBV) Theory

The resource based view theory (RBV) was proposed by Wernerfelt (1984) and has continued to be improved by modern day authors such as (Barney, 2001). The RBV has been widely applied in a diverse context of business entities in gaining competitive advantage. The
emphasis of the resource based view is on resources and capabilities as the very genesis of competitive advantage. As observed by Barney and Clark (2007), the model effectively expands the body of knowledge of differential firm performance and also introduces new dimensions to the understanding of strategic management as a discipline. The basic premise of the Resource-Based View (RBV) is the position that by innovatively delivering superior value to customers, a firm would stand a chance to win competitive advantage in the industry it operates (Barney, Wright, & Ketchen, 2001).

The RBV model therefore emphasis on the role of organisational resources in driving the organisation to achieve higher organizational performance (King, 2007). The theorists presents two types of resources that can be available in the firm; tangible and intangible resources. Tangible resources are physical things or assets. These may include Land, buildings, machinery, equipment and capital. The tangible resources can easily be obtained from the market and for that reason they confer little advantage to the firms in the long run. This is because competitors can soon obtain the resources. On the other hand, intangible assets are resources that have no physical presence but can still be owned by the firm. These include resources such as brand reputation, trademarks and intellectual property (Newbert, 2008). Unlike the tangible or physical resources, intangible resources are built over a long time and as such, firms cannot obtain them from the market. Therefore, intangible resources are the main source of sustainable competitive advantage as they remain unique to the firm.

The RBV model however assumes that that resources must also be heterogeneous and immobile (Barney, Wright & Ketchen, 2001). This implies that skills, capabilities and other resources that organizations have must be different from one company to another in order to be useful sources of sustained competitive advantage. The second assumption is that the resources should be immobile. This implies that resources are not easily movable from one firm to the other. As such, firms find it difficult to replicate rivals’ resources and implement
the same strategies. The intangible resources, such as brand equity, intellectual property, processes and knowledge are usually immobile and therefore qualify as sources of sustained competitive advantage as prescribed in the RBV framework (Barney, 2001).

Newbert (2008) posit that in order to transform the short-run competitive advantage into a sustained or long run competitive advantage, the firm requires that these resources are heterogeneous in nature and not perfectly mobile. The analysis of the value of the firms’ resources requires first the identification of a firm’s potential key resources (its internal capacities) followed by an evaluation on whether those resources meet the criteria being used for examination mostly the VRIN Model. The VRIN Model authored by (Barney, 1991) abbreviates five important factors to consider in evaluating whether resources can be used to win a firm’s sustained competitive advantage. These are Value, Rareness, Inimitability and Non-substitutability. To meet the threshold for supporting sustainable competitive advantage, resources must be valuable. This implies that the resources must be a source of greater value, in terms of relative costs and benefits, than similar resources in the rival or competing firms. Secondly, the resources should be rare or scarce relative to demand for its use. Thirdly, the resources should be inimitable implying that it would not be easy to imitate those resources. Finally, the resources should be non-substitutable meaning that other varieties of resources cannot be functional substitutes (Helfat & Peteraf, 2003). As such, the RBV theory was useful in guiding particularly the differentiation and focus differentiation strategies, embraced as key objectives in the study at hand.

2.2.3 Dynamic Capabilities Theory

Teece, Pisano and Shuen (1997) proposed the dynamic capabilities model with a proposition that business firms must continually reconfigure internal resources as well as capabilities to assume corporate responsibility for adapting turbulent environment in order to sustain performance in an environment of hyper competition. Zahra, Sapienza and Davidsson (2006)
present dynamic capabilities as essentially being about a firm's strategy to constantly integrate, reconfigure, renew, and recreate internal and external resources in response to dynamic and rapidly shifting market environments in the quest of attainment and sustenance of competitive advantage.

Dynamic capabilities differ with operational capabilities. The latter is used in reference to the current operations of an organization. In contrast, dynamic capabilities refer to the capacity of a firm to persistently create, extend, or modify its resource base in order to win long-term competitive advantage (Helfat & Peteraf, 2009). The basic assumption of the dynamic capabilities framework is that core competencies should be used to modify short-term competitive positions in building longer-term competitive advantage. In order to meet new challenges or encounters, the authors posit that organizations and their employees need the capability to learn quickly and to build strategic assets. In addition, new strategic assets such as technology, capability and customer feedback need to be assimilated into the company while the existing strategic assets have to be transformed or reconfigured to fit the new strategic directions (Zahra, Sapienza, & Davidsson, 2006).

Dynamic capabilities as presented by Teece (2007) put an emphasis on corporate agility, that is the capacity to sense and shape opportunities and threats, then seize those opportunities and work towards sustaining the firm competitiveness through enhancing, combining, protecting and reconfiguring firm’s intangible and tangible assets. According to (Helfat & Peteraf, 2009), Dynamic Capabilities gives an illumination on how business firms create, define, discover, and exploit entrepreneurial opportunities in complex and volatile external environments as they seek a strategic matching of resources and market needs. The model was therefore be key in assessing cost leadership, differentiation and focus cost and focus differentiation as strategies making up the objectives of the study at hand.
2.3 Empirical Literature Review

The empirical review presents past studies reviewed. The review seeks to present the methodologies or approaches, concepts, theoretical foundations used as well as the findings established through the studies. This process is essential as it plays a key role in the identification of research gaps and guides a framework of filling those gaps.

2.3.1 Cost Leadership and Firm Performance

Sifuna (2014) embarked on a study that sought to establish the effect of competitive strategies on the performance of public universities in Kenya. Using a descriptive survey design, the study targeted a population of 162 respondents from which a sample of 54 participants was selected using disproportionate stratified random sampling technique. The study used a structured questionnaire to collect primary data and the analysis procedure relied on both descriptive and inferential statistics. Cost leadership was found to significantly influence the performance of public universities. To be specific, the study established that economies of scale, capacity utilization of resources, mass production and mass distribution, reduction of operations time and costs, efficiency and cost control as aspects of cost leadership greatly influenced performance of universities. The study recommended that universities form linkages with key institutions such as service providers, suppliers and supplementary institutions to win sustained competitive advantage over rivals. The study presents contextual gaps on the need to shift focus to private institutions particularly in the financial sector such as SACCOs.

A study by Mwangi and Ombui (2013) dwelt on the effects of competitive strategies on the performance of Mission Hospitals in Kenya and relied on a case study approach targeting Kijabe Mission Hospital. The specifically assessed the effects of cost leadership, market focus and differentiation strategies on the performance of the mission hospitals in Kenya. The study
used a descriptive survey design approach and a study population of 132 managers at Kijabe Mission Hospital. The study sampled 45% of the population that led to a total of 59 participants. The multiple linear regression was used as the main statistical tool to establish the relationship between the competitive strategies and performance. Factor analysis was also used to test the variability of the factors under assessment. Study results indicated that cost leadership had the highest influence on performance of the mission hospitals in Kenya.

Yaşar (2010) conducted a study on the effect of competitive strategies on firm performance. The study specifically inspected this condition by considering value chain activities in Turkey’s Gaziantep carpeting industrial cluster. The study established no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry. The study suggests that in order to improve performance and to preserve sustainable competitive advantage in global markets, competitive strategies must be applied resolutely. As such cost leadership and differentiation strategies implemented simultaneously by corporate decision makers.

2.3.2 Differentiation and Firm Performance

Kinyuira (2013) dwelt on the effects of Porter's Generic Competitive Strategies on the performance of Savings and Credit Cooperatives (Saccos) in Murang’a county, Kenya. the study used an explanatory research design that sought to determine the causes and reasons of the current status of the competitive strategies and performance’ variables of study. The study targeted 384 employees of all the Saccos registered by the Ministry of Cooperative Development in Murang’a County. Sampling was done using the simple random sampling technique and selected a sample of 116 employees. Questionnaires were used to collect data while and descriptive and inferential statistics were used in data analysis. The key inferential tools were the correlational and regression analysis. The study found significant positive effects
of differentiation strategy on performance of SACCOs. The study presents empirical gaps on the need to expand the framework of competitive strategies addressed.

A study by Teeratansirikool, Siengthai, Badir, and Charoenngam (2013) focused on an examination of the mediating role that performance measurement plays in the relationship between competitive strategies and firm performance. The study was undertaken using a mail-survey of Thai listed companies in 2009. The study relied secured the participation of 101 Thai listed companies’ executives. The study used the path-analytical model in the analysis of the study subjects. Study results indicated that all competitive strategies positively and significantly enhanced firm performance through performance measurement. Differentiation strategy was found to yield both and indirect significant effect on firm performance through financial measures.

A study by Arasa and Gathinji (2010) examined the relationship between competitive strategies and organizational performance among firms in the mobile telecommunications industry in Kenya. A descriptive survey approach was used and data collected from 63 respondents from a sample size of 72 respondents selected purposively. The study established high levels of competition in the industry. The study established high levels of competition in the industry. Study results also indicated product differentiation and low cost leadership were the most commonly used strategies. The study further established that differentiation strategy influenced performance of mobile telecommunications firms indicated by sales and market share, customer retention, profitability and product innovation. The study recommended that when firms apply the product differentiation strategy, they should consistently focus its efforts on providing unique product or service to enhance customer loyalty.
2.3.3 Focus Cost Leadership and Firm Performance

Gituku and Kagiri (2015) sought to establish the effects of competitive strategies on performance of middle level colleges in Thika Sub-County. Specifically, the study aimed at determining the effects of pricing strategies, market focus, collaborations and technology on performance of middle level colleges. This study employed a descriptive research design and relied on a sample size of 92 top level management staff and 200 middle level managers. The study results indicated positive association between market focus and specifically focus on cost and focus on differentiation and firm performance. The study established that the market focus strategy contributed a significant 56.30% of firm performance.

Bisungo, Chege, and Musiega (2014) examined competitive strategies that the farmers’ cooperatives adopt to achieve competitive advantage in Butere sub-county, Kenya. The study sought to specifically find out the effect of cost leadership strategy, product differentiation strategy, market focus strategy and quality management strategy on the performance of farmers cooperatives in Butere sub-county. A descriptive survey design was used and relied on a target population of 35 employees drawn from two farmers’ cooperatives. The study results indicated that cost leadership, market focus, and quality management competitive strategies affect business performance. It was therefore recommended that the farmers’ cooperatives should use cost leadership strategy together with improved technology to enhance efficiency and incorporate a mechanism that would assure quality.

Waema (2013) undertook a study on the effects of competitive strategies on the performance of dairy firms in Kenya. The study specifically sought to examine the relationship between cost leadership strategies, differentiation strategies and focus strategies with performance. The study involved a survey of fifteen dairy firms in Kenya. The study results indicated that all the three competitive strategies of cost leadership, differentiation and market focus have a positive and significant relationship to performance. The focus cost and focus differentiation strategies
were found to yield the greatest influence on performance and were therefore recommended as
the most viable strategies for pursuit by dairy firms in Kenya.

2.3.4 Focus Differentiation Strategy and Firm Performance

Peter, Namusonge, Waema, and Ngonzo (2014) conducted a study on the effects of competitive
strategies used by Independent Petroleum Companies (IPCs) of Nairobi, Kenya, on their
market share and their daily operations. The study adopted a descriptive survey research design
and used a sample population of twenty seven (27) registered petroleum companies. It was
established market focus strategies and particularly market segmentation and convenience
retailing strategies had a great impact on performance of Independent Petroleum Companies.
The study presents empirical gaps on the need to embrace a wide range of competitive
strategies employed by firms in pursuit of competitive advantage. Methodological gaps are also
unveiled on the need to embrace more indicators of performance such as growth in turnover
growth which would be more objective in indicating performance.

Uchegbulam & Akinyele (2015) dwelt on competitive strategy and performance of selected
SMEs in Nigeria. The study was informed by the dynamic business environment characterized
by high levels of competition, dynamism and technological sophistication in Nigeria. The study
adopted questionnaires as the choice data collection instruments. The instruments were
administered to 150 randomly selected SMEs in Ikeja and Surulere local government areas of
Lagos State. Both descriptive and inferential statistics were used in the analysis. The findings
revealed performance enhancing effects of the focus differentiation strategy and especially
product customisation on performance of SMEs. The study presents both empirical and
contextual gaps on the need to expand the framework of variables assed and replicating the
study locally for more applicable results.

Ndhiwa (2010) sought to examine the relationship between competitive strategies and firm
performance in Safaricom Kenya limited. The study used a descriptive case study design and
used the firm’s top revenue drivers' employees, namely consumer sales and retail departments as the target population. The study targeted chiefs, head of departments, senior managers, and regional and area managers as choice respondents. The study used a semi-structured questionnaire to collect primary data and utilised the statistical package for social scientists (SPSS) in the analysis. Data pertaining to the assumption of competitive strategies and the association between the competitive strategies and performance of the firm were subjected to a factor analysis to test whether the strategic practices naturally group into the various competitive strategies. Performance was indicated using total revenue growth, total asset growth, net income growth and market share growth. The study findings indicated that Safaricom limited engaged in focus differentiation activities. It was further established that focus differentiation has a significant relationship with performance of the firm. The study presents methodological gap on the need to consider a wide range of organisations, away from the case study approach, in order to improve comparability of the results across industry players.

2.4 Summary of literature review and Research Gaps

Gituku and Kagiri (2015) dwelt on the effects of competitive strategies on performance of middle level colleges in Thika Sub-County. The study results indicated a positive association between market focus and specifically focus on cost and focus on differentiation and firm performance. The study established that the market focus strategy contributed a significant 56.30% of firm performance. The study identifies a contextual gap on the need to replicate the study to the less researched areas such as the financial sector. There is also an empirical gap on the need to consider all competitive strategies in wholesome.

Peter, Namusonge, Waema, and Ngonzo (2014) conducted a study on the effects of competitive strategies used by Independent Petroleum Companies (IPCs) of Nairobi, Kenya, on their market share and their daily operations. It was established market focus strategies and
particularly market segmentation and convenience retailing strategies had a great impact on performance of Independent Petroleum Companies. Methodological gaps are identified on the need to address other facets of firm performance. Contextual gap are also clear on the need to address the financial sector as well.

A study by Bisungo, Chege, and Musiega (2014) dwelt on competitive strategies that the farmers’ cooperatives adopt to achieve competitive advantage in Butere sub-county, Kenya. The study results indicated that cost leadership, market focus, and quality management competitive strategies affect business performance. A Contextual gap is identified on the need to address sectors that have been under targeted in past studies such as the financial sector. There is also a conceptual gap on the need to enlarge the scope of the focus strategy assessment.

Sifuna (2014) assessed the effect of competitive strategies on the performance of public universities in Kenya. Cost leadership, differentiation and market focus were found to significantly influence the performance of public universities. The study presents contextual gaps on the need to shift focus to private institutions particularly in the financial sector such as SACCOs.

Mwangi and Ombui (2013) dwelt on the effects of competitive strategies on the performance of Mission Hospitals in Kenya: A case study of Kijambe Hospital, Kenya. Study results indicated that cost leadership had the highest influence on performance of the mission hospitals in Kenya followed by Market Focus. Differentiation strategy was significant but yielded the least influence on performance of the mission hospitals in Kenya compared to other strategies like cost leadership and market focus. The study presents methodological gaps on the need to move from the one organisation approach that could give biased results about an entire sector. There is also a contextual gap on the need to shift focus to the financial sector which is under targeted in past studies.
Teeratansirikool, Siengthai, Badir, and Charoenngam (2013) dwelt on an examination of the mediating role that performance measurement plays in the relationship between competitive strategies and firm performance in a case of Thai listed firms. Results indicated that all competitive strategies positively and significantly enhanced firm performance through performance measurement. Differentiation strategy was found to yield both and indirect significant effects while cost leadership had only indirect effects on firm performance through financial measures. Contextual gaps were identified on the need to undertake a local study on the same subjects for more applicable results. Empirical gaps were also identified on the need to expand the competitive strategies examined to cover market focus variables as well.

Waema (2013) focused on the effects of competitive strategies on the performance of dairy firms in Kenya. The study results indicated that all the three competitive strategies of Cost leadership, differentiation and market focus have a positive and significant relationship to performance. Contextual gaps are identified on the need to undertake a study on the financial sector in Kenya, an area which is grossly under targeted.

Arasa and Gathinji (2010) conducted a study on the relationship between competitive strategies and organizational performance among firms in the mobile telecommunications industry in Kenya. Study results indicated that product differentiation and low cost leadership were the most commonly used strategies. The use of strategic alliances and specific market focus strategies was also evidenced. The study established that cost leadership influenced performance indicated by sales and market share, customer retention, profitability and product innovation. Contextual gaps were unveiled on the need to shift focus to the financial sector which has not adequately been covered in past studies. Conceptual gaps were also identified on the need to split the Market Focus objective to assess distinctly the effect of focus differentiation and focus cost on performance.
Yaşar (2010) concentrated on the effect of competitive strategies on firm performance: A case of Turkey’s Gaziantep carpeting industrial cluster. The study established no significant relationship between competitive strategies and firm performance in Turkey’s Gaziantep carpeting industry. Contextual gaps established on the need to undertake a local study since most studies on this area have a foreign orientation.

The studies reviewed are further summarised below in a tabular format. The table indicates clearly the authors, study titles, findings and recommendations. The summary’s key output is the comprehensive identification of research gaps. This is followed by a formulation of a clear framework on how those gaps will be filled.
<table>
<thead>
<tr>
<th>Author</th>
<th>Focus of Study</th>
<th>Findings</th>
<th>Knowledge Gaps: (Conceptual, Contextual, Methodological or Empirical Gaps)</th>
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<td>The gaps were filled by shifting focus to the SACCO Subsector and expanding the framework of competitive strategies assessed.</td>
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<td>Methodological gaps on the need to address other facets of firm performance. Contextual gap on the need to address the financial sector as well.</td>
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<td>The study results indicated that cost leadership, market focus, and quality management competitive strategies affect business performance.</td>
<td>Contextual gap on the need to address sectors that have been under targeted in past studies such as the financial sector. A conceptual gap on the need to enlarge the scope of the focus strategy assessment.</td>
<td>Study considered SACCOs and an expanded framework of market focus strategy which was split into focus cost and focus differentiation for better analysis.</td>
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<td>Sifuna (2014)</td>
<td>The effect of competitive strategies on the performance of public universities in Kenya</td>
<td>Cost Leadership, Differentiation and Market Focus were found to significantly influence the performance of public universities.</td>
<td>The study presents contextual gaps on the need to shift focus to private institutions particularly in the financial sector such as SACCOs.</td>
<td>Gap filled by basing the current study on SACCOs in Muranga County, Kenya.</td>
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<td>Contextual gaps on the need to undertake a local study on the same subjects for more applicable results. Empirical gaps on the need to expand the competitive strategies examined to cover market focus variables as well.</td>
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<td>Gaps filled by targeting all the SACCOs in Muranga County, Kenya.</td>
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<td>Gaps filled by conducting a local study targeting local SACCOs.</td>
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**Source:** Author (2017)
2.5 Conceptual framework

The conceptual framework consists of four independent variables as well as the dependent variable. The independent variables are the competitive strategies used by the SACCOs. These are cost leadership strategy, differentiation strategy, focus cost leadership strategy and focus differentiation strategy. The dependent variable is performance which was indicated by market share and turnover growth of the SACCOs.

**INDEPENDENT VARIABLES**

**Cost Leadership**
- Economics of scale; mass production and distribution
- Optimal capacity utilisation
- Linkages with service providers
- Cost control and operational efficiency

**Differentiation**
- Differentiation on product
- Differentiation based on place
- Differentiation based on promotion
- Differentiation based on personnel
- Differentiation based on technology

**Focus Cost Leadership**
- Offers for particular social class as the market niche
- Targeting specific niche based on income level
- Discriminate Selling at different market niche

**Focus Differentiation**
- Product customisation based on unique market needs
- Market niche focus on based on unique customer preferences
- Focus on social class in offers e.g. prestige selling
- Focus on physiological aspects of the market

**DEPENDENT VARIABLE**

**SACCOs Performance**
- Market share
- Turnover growth of the SACCOs

Figure 2.2: Conceptual Framework

Source: *Author (2017)*
The schematic diagram above elucidates the relationship between the independent variables and the dependent variables. The arrows indicate the hypothesised direction of the relationship between the variables under competitive strategies and performance of SACCOs in Murang’a County, Kenya. The performance of the SACCOs was measured by turnover growth and the market share of the SACCOs. The indicators of the independent variables were as follows; under cost leadership, the study was concerned with the level of application of economies of scale, mass production, mass distribution, capacity utilisation, and linkages with service providers as well as cost control and efficiency. Differentiation was assessed from a product, place, promotion, personnel and technological leadership point of view. The assessment of focus cost leadership was interested in particular with the social class, income level and discriminate selling considerations of the SACCOs. Focus differentiation was assessed with reference to the concentration of SACCOs on customer preferences, social class, income levels and physiological aspects factors of the market.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section presents the methodology utilised in undertaking the research. The methodology was designed in a manner that seeks to fulfil the objectives of the study. Covered under the methodology proposed is the research design, population of the study, sampling procedures, data collection, validity and reliability, data analysis and presentation as well as ethical considerations.

3.2 Research Design

The study adopted a descriptive survey research design in order to effectively explain the effect of competitive strategies on performance of SACCOs. Mugenda and Mugenda (2003) posits that a descriptive survey research design involves the discovery of already existing associations as regards certain variables without an attempt to alter anything in the environment. According to Bulmberg, Cooper and Schindler (2011), the descriptive survey approach seeks to determine the ‘what, where and how’ of a given phenomenon. The descriptive survey research design is concerned with the determination of what is happening in reference to particular variables (Kothari, 2011). The justification for the choice of the descriptive survey research design for the study on competitive strategies and performance is the fact that the phenomena under study could not be manipulated as it involved an already existing state of affairs.

3.3 Target Population

According to Ott and Longnecker (2015), a target population encompasses the total group of individuals or elements with the same features and from whom a sample might be drawn for purposes of conducting an empirical study. The target population consisted of all the 8 deposit taking SACCOs registered and actively operating in Muranga county of Kenya as gathered
from the department of cooperatives of Muranga county government. The targeted respondents were 64 in total and comprised of all CEOs, accountants, credit managers, marketing managers and all the 4 executive board Members of each SACCO society. As gathered from Wanyama (2009) in a review of the SACCO Societies Act of 2008, the act requires as a matter of law, that all SACCOs to have a minimum of 5 and a maximum of 9 members in the board. The members then go ahead to select a mandatory 4 members who usually sit in the executive board which justifies our choice of 4 executive board members as respondents.

The study utilised a census approach that identified and subjected all the Deposit Taking SACCOs registered and operating in the county to the study. A census study involves the use of all the elements that have the same characteristics in the study (Ott & Longnecker, 2015). Kothari (2011) recommends that where economically feasible, a census study is preferred since it yields more accurate results besides keeping the errors associated with sampling at minimum. The researcher then purposively selected the CEOs, credit managers, accountants, marketing managers and all the four (4) members of the executive board as the choice respondents. The selection of this class of respondents was justified by the fact that they were best equipped with information sought by the study at hand as they are the policy makers and corporate stewards. Under purposive sampling, the researcher uses their own judgement to select the sample (Oso & Onen, 2005). The study therefore targeted a total of 64 respondents which met and even surpassed the threshold size of thirty (30) as argued by Mugenda and Mugenda (2003) as a rule of thumb, as adequate to allow for normal approximations.
Table 3.1: Target Respondents

<table>
<thead>
<tr>
<th></th>
<th>Number per SACCO</th>
<th>Total For all SACCOs</th>
<th>Proportion of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.E.Os.</td>
<td>1</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Accountants</td>
<td>1</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Credit Managers</td>
<td>1</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Marketing managers</td>
<td>1</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Executive Board members</td>
<td>4</td>
<td>32</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL Respondents</td>
<td>8</td>
<td>64</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2017)

3.4 Data Collection Instruments

The study utilised both primary and secondary data sources. Primary data was collected using questionnaires. Secondary data was gathered from the annual financial statements of the SACCOs. In order to effectively meet the research objectives, the study involved tests to evaluate the validity and reliability status of the research instrument. According to Mugenda and Mugenda (2003), validity and reliability tests are instrumental in ensuring that the research instrument is consistent and that it measures the parameters designed to measure.

3.4.1 Validity of Research Instrument

The study involved tests to ensure that the research instrument actually measured what it was intended to measure. Pre-test method and expert opinion methods were used to assess and improve the validity status of the research instrument. For the pretesting, the researcher distributed the questionnaires to 5 randomly selected staff at New Fortis SACCO in Nyeri County, which is outside the area of the current study. The responses obtained from the pre-test participants informed improvements to that effect. The researcher also sought expert opinion from the supervisor and other lecturers in a bid to further ascertain the validity
condition. The study took into account recommendations by the experts and made adjustments and improvements to their satisfaction. Mugenda and Mugenda (2003) fronted expert opinion and pre-testing as helpful methods for assessing the validity of research instruments.

### 3.4.2 Reliability of Research Instrument

Tests were also done to ascertain the reliability status of the research instrument. In essence, reliability implies the extent to which a research instrument yields consistent results when administered more than once. According to Kothari (2011), the whole idea behind reliability, is that any noteworthy results must be more than a one-time instance finding and as such, results of a study must be inherently repeatable.

#### Table 2.2: Cronbach’s Alpha Reliability Statistics

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership</td>
<td>.723</td>
<td>.798</td>
<td>4</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.701</td>
<td>.790</td>
<td>5</td>
</tr>
<tr>
<td>Focus Cost Leadership</td>
<td>.720</td>
<td>.791</td>
<td>4</td>
</tr>
<tr>
<td>Focus Cost Differentiation</td>
<td>.786</td>
<td>.763</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>.733</strong></td>
<td><strong>.785</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Source: *Survey data (2015)*

From the results, the Cronbach’s alpha coefficient for 16 items was found to be 0.785 which represented a relatively high internal consistency. The study used the Cronbach’s Alpha Reliability test derived through the SPSS Software. Gliem and Gliem (2003) affirms that a reliability coefficient of greater than 0.70 would be considered “acceptable” in social science research circumstances; a scale that will be applied to explain the reliability or otherwise of the research instrument.
3.5 Data Collection Procedure

The study adopted the drop and pick method to administer the questionnaires. To be precise, the research instruments were delivered to the study participants in person but were picked at a later date. The justification for the drop and pick method of questionnaire administration was the fact that the target respondents are a busy category of employees with a lot of duties and commitments. As such, it would be quite difficult to secure sessions with all of them to fill questionnaires in the presence of the researcher. The researcher also filtered secondary data from the SACCOs audited financial statements.

3.6 Data Analysis and Presentation

Before getting into the main analysis, the data collected was taken through a thorough data cleaning process. Data cleaning also known as data scrubbing or data cleansing involves the process of detecting and correcting corrupt or inaccurate records from the data set (Mugenda & Mugenda, 2003). Diagnostic tests were conducted to ascertain that the data collected meets the basic assumptions for utilisation of key analysis techniques to be used including the regression analysis. The Diagnostic tests included test for auto correlation by way of the Durbin Watson test, Normality using the Shapiro-Wilk normality test, Test for multicollinearity was done through SPSS generated collinearity diagnostic statistics and heteroskedacity test was employed by way of Test Glejser, a procedure conducted through SPSS.

Both bivariate and multivariate analysis was conducted using SPSS. The study then involved data categorisation in line with the study objectives. Both bivariate and multivariate analysis tools were used where the study will generate also both descriptive and inferential statistics. Content analysis was used to analyse qualitative data collected. Regression and correlation analysis was the most key inferential statistics used in elucidating the nature, magnitude,
direction and strength of relationships unveiled. The study adopted a regression model of the type indicated below as adopted from Kutner, Nachtsheim and Neter (2004).

\[ Y_{ij} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where,

\( Y_{ij} \) = Performance of SACCOs (Market Share and Turnover Growth)

\( X_1 \) = Cost Leadership Strategy,

\( X_2 \) = Differentiation Strategy,

\( X_3 \) = Focus Cost Strategy and

\( X_4 \) = Focus Differentiation Strategy.

\( \beta_0 \) = is the regression intercept representing the expected value of the dependent variable if all of the independent variables are zero.

While \( \beta_1, \beta_2, \beta_3, \beta_4 \), are regression Coefficients and are essentially the slope of the regression line and \( \varepsilon \) is the error term.

The Coefficient of Determination (R square) in the Model summary reveals the collective effect of influence of the three variables on performance. The P Values in the ANOVA tables help in determining whether the influence of each competitive strategy on performance is statistically significant. The F Test on ANOVA was interpreted using a significance level of 0.05. As such if P Value is greater than 0.05 i.e. \( P < (\alpha = 5\% \text{ level of significance}) \), then a conclusion would be made that the competitive strategy variable does not significantly influence the performance.

Values of \( r \) which represents the correlation coefficient were utilized to indicate degree and direction of associations between variables and will be interpreted on a scale of -1 to +1. Values of \( r = 1.0 \) would indicate perfect correlation while values of \( r = 0 \) to +1 would mean that the two variables tend to increase or decrease together. Values of \( r = 0.0 \) means that the two variables do not vary together at all while values of \( r = -1 \) to 0 indicate that as one variable increases, the
other decreases. Values of \( r = -1.0 \) would indicate a perfect negative or inverse correlation. The results of the study were presented using tables, bar charts and pie charts as well as equations.

### 3.7 Ethical Considerations

According to Kothari (2011), research ethics entail the measures undertaken to ensure that the study is conducted in a manner that respects the privacy, confidentiality and rights of others. The researcher acquired research permits from the National Commission for Science and Technology (NACOSTI) and Kenyatta University in order to assure the respondents that the study would serve purely academic purposes. The researcher also attached a letter assuring the respondents that the information supplied would be treated with confidentiality.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction

This chapter presents analysis results as well as interpretation and discussions to that regard. Specifically covered in this chapter are important highlights on the response rate, bio data, descriptive and inferential statistics. The presentation is done in form of tables and figures.

4.2 Response rate

Table 4.1 presents statistics on the response rate achieved from the study undertaking. This is followed by a justification why the responses received were considered adequate.

Table 3.1: Response Rate

<table>
<thead>
<tr>
<th>Targeted respondents</th>
<th>Responses received</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
<td>55</td>
<td>85.94%</td>
</tr>
</tbody>
</table>

Source: Survey data (2017)

The researcher distributed a total of 64 questionnaires to the various study participants. Out of this number, 55 respondents returned their questionnaires. A response rate of 85.94% was therefore attained which was considered very good as guided by Mugenda & Mugenda (2003), who prescribe a response rate of 50% as adequate, 60% as good and above 70% as very good.

4.3 Background Information

Presented in this section is a summary of respondents’ categories, profiles and distributions. The specific characteristics featured include gender, leadership position and level of education of the respondents. The statistics give an orientation concerning the company’s leadership which makes up the study participants. Figure 4.1 provides a summary of the respondents’ gender. 58.18% of respondents were male while the remaining 41.82% of respondents were
female. As such a conclusion was made that the management of the SACCO sector in Muranga County of Kenya was male dominated.

**Gender of respondents**

![Gender Distribution Chart]

**Figure 3.1: Respondents' Gender**

*Source: Survey data (2017)*

Table 4.2 presents a profile of respondents’ leadership position for the SACCO sub sector in Muranga County.

**Table 4.2: Respondents' Leadership Position in the SACCO.**

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>5</td>
<td>9.1</td>
<td>9.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Executive Board Member</td>
<td>29</td>
<td>52.7</td>
<td>52.7</td>
<td>61.8</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>6</td>
<td>10.9</td>
<td>10.9</td>
<td>72.7</td>
</tr>
<tr>
<td>Credit Manager</td>
<td>8</td>
<td>14.5</td>
<td>14.5</td>
<td>87.3</td>
</tr>
<tr>
<td>Accountant</td>
<td>7</td>
<td>12.7</td>
<td>12.7</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Survey data (2017)*
Majority of the respondents consisting of 52.70% of respondents were executive board members. The least proportion of participants were Chief Executive Officers which could be attributed to the busy nature of the work as the captains of the SACCOs.

Figure 4.2 presents responses on respondents’ highest level of education. 50.00% of the respondents had undergraduate degrees. A proportion of 39.47% of respondents had up to diploma education while 6.58% and 3.95% of the participants had post graduate qualifications and certificate qualifications respectively. This indicates that the management of the SACCOs was composed of fairly well educated professionals.

Respondents Highest Level of Education

![Diagram showing the percentage of respondents' highest level of education.]

Figure 4.2: Respondents Highest Level of Education
Source: Survey data (2017)

4.4 Descriptive statistics.
This part features descriptive statistics from the analysis of the data collected. The presentation follows the tune of the research objectives.
4.4.1 Performance of the SACCOs.
This part presents descriptive statistics on the performance condition of the SACCOs in Murang’a County of Kenya. In particular, it covers aspects market share and turnover growth of the SACCOs. Table 4.3 presents statistics on the market share and turnover growth of the SACCOs.

Table 4.3: Turnover Growth and Market Share

<table>
<thead>
<tr>
<th></th>
<th>Market Share</th>
<th>Turnover Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Range</td>
<td>.54</td>
<td>.17</td>
</tr>
<tr>
<td>Minimum</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>Maximum</td>
<td>.56</td>
<td>.18</td>
</tr>
</tbody>
</table>

Source: Survey data (2017)

The Market share of the SACCOs in Murang’a County was largely spread. Notably, one SACCO controls more than half of the market with the least controlling less than two percent of the market. On turnover growth, again some SACCOs were more efficient in growing their turnover levels as compared to others. The SACCO with the highest turnover growth reported an average growth of 17% in turnover with the least having a mere 1% average growth in sales. This indicates wide variance in ability of the SACCOs in Murang’a County to drive their sales.

4.4.2 Cost Leadership
This section covers descriptive statistics concerning cost leadership as an objective of the study at hand. Table 4.4 presents statistics on various aspects of cost leadership in the SACCOs.
Table 4.4: Cost Leadership Strategy

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilisation of economies of scale through mass production and mass distribution of its products</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9273</td>
<td>1.19961</td>
</tr>
<tr>
<td>Commitment to optimal capacity utilisation key in cutting running costs</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6364</td>
<td>1.19200</td>
</tr>
<tr>
<td>Put in place operational efficiency and cost control measures towards cutting costs in the firm</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5818</td>
<td>1.24262</td>
</tr>
<tr>
<td>Pursuit of key linkages and alliances with service providers and strategic institutional partners to ensure minimisation of costs</td>
<td>55</td>
<td>2.00</td>
<td>5.00</td>
<td>3.9273</td>
<td>.83565</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data (2017)

As indicated by the mean (3.93) and standard deviation (1.19), most of the respondents opined that the SACCO applied economies of scale through mass production and mass distribution of its products which is an important factor in enhancing cost leadership. Similarly, the factor on commitment to optimal capacity utilisation key in cutting running costs scored a mean of (3.64) and a standard deviation of (1.19) which demonstrated high level of application. Additionally, as demonstrated by the mean of (3.58) and standard deviation of (1.242), the SACCOs had put in place operational efficiency and cost control measures towards cutting costs. Lastly, as reflected in the mean score of (3.93) and standard deviation of (0.84), the SACCOs pursued to a great extent key linkages and alliances with service providers and strategic institutional partners to ensure minimisation of costs. The mean of the means of all the factors stood at (3.77) which demonstrated in general, high level of application of the cost leadership strategy in the SACCOs. The average standard deviation stood at (1.12) and was indicative that the data was held close to the mean affirming the high level of application of the cost leadership strategy.
4.4.3 Differentiation

This section covers statistics on the differentiation variable of the study. Table 4.5 presents statistics on descriptive analysis results for various components of differentiation variable which was a key subject of the current study.

Table 4.5: Differentiation in the SACCO

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develops and distinguish products or services offered</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5273</td>
<td>1.15237</td>
</tr>
<tr>
<td>Aggressiveness in developing and distinguishing products based on place aimed at winning different geographical markets</td>
<td>55</td>
<td>2.00</td>
<td>5.00</td>
<td>4.0727</td>
<td>.99730</td>
</tr>
<tr>
<td>Develops and distinguishes their offerings based on price to win different income level clientele</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.1636</td>
<td>.56972</td>
</tr>
<tr>
<td>Aggressively distinguishes services based on promotion or advertising campaign</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.1636</td>
<td>.85556</td>
</tr>
<tr>
<td>Has embraced technology leadership as a key facet of differentiation</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.3455</td>
<td>.69969</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data (2017)

As represented by a mean of (3.53) and a standard deviation of (1.15), it is clear that the SACCOs in Murang’a County develop and distinguish their products or services. Likewise as indicated by a mean of (4.07) and a standard deviation of (0.99), the SACCOs remained aggressive in developing and distinguishing products based on place aimed at winning different geographical markets. In addition, as indicated by the mean of 4.16 and a standard deviation of (0.86), it was the position of the majority that the SACCOs developed and distinguished their offerings based on price to win different income level clientele. Likewise, the mean of (4.16) and standard deviation of (0.86) were indicative that the SACCOs aggressively distinguished their services based on promotion or advertising campaign. Technology leadership as a key facet of differentiation was also largely embraced as indicated by the mean.
of (4.35) and standard deviation of (0.69). The mean of the means of the individual differentiation factors stood at 4.05 with the average standard deviation being (0.85). This was generally indicative of application of differentiation strategy in the SaccoS to a large extent. The low standard deviation indicates that the responses were largely close to the mean and affirming that condition of high application of the strategy.

### 4.4.4 Market Penetration

This part covers descriptive analysis results for focus cost leadership which was a variable of interest to the study. Table 4.6 presents statistics on the extent of application of the focus cost strategy in the SaccoS in Murang’a County, Kenya.

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Sacco applies discriminate pricing for its products to effectively meet customer demands</td>
<td>55</td>
<td>2.00</td>
<td>5.00</td>
<td>3.6182</td>
<td>1.04511</td>
</tr>
<tr>
<td>The SaccoS products are designed to meet specific needs of diverse social classes</td>
<td>55</td>
<td>2.00</td>
<td>5.00</td>
<td>4.2000</td>
<td>.89028</td>
</tr>
<tr>
<td>The SaccoS products are designed in a manner to attract different income level clients</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.1091</td>
<td>.73718</td>
</tr>
<tr>
<td>The SaccoS pricing strategy is informed by the unique characteristics of clients from different market segments</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4727</td>
<td>1.05153</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** *Survey data (2017)*

As indicated by a mean of (3.62) and a standard deviation of (1.05), there was large application of discriminate pricing by the SaccoS for their products in an attempt to effectively meet customer demands. The SaccoS products were also largely designed to meet specific needs of diverse social classes as demonstrated by a mean of (4.20) and a standard deviation of (0.89) on this factor. Results also indicated that the SaccoS products were to a great extent designed...
in a manner to attract different income level clients as demonstrated by a mean of (4.11) and a standard deviation of (0.74). Further, as represented by a mean of (3.47) and a standard deviation of (1.05), it was clear that the SACCOs’ pricing strategy was largely informed by the unique characteristics of clients from different market segments. The mean of the means with regard to the individual focus leadership factors stood at (3.85) indicative of high application of the focus cost strategy in the SACCOs. The average standard deviation for the focus cost leadership factors was (0.93) which demonstrated that the responses were closely held about the mean affirming the condition of wide application of the strategy.

### 4.4.5 Focus Differentiation Strategy

This part covers descriptive statistics on focus differentiation strategy. The statistics seek to present and describe the extent of application of the strategy in the SACCOs in Murang’a County, Kenya. Table 4.7 signposts statistics on the extent to which various aspects of focus differentiation strategies were applied.

#### Table 4.7: Focus Differentiation Strategy in the SACCOs

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SACCO focuses on unique customer preferences to guide niche product design</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.2545</td>
<td>.64458</td>
</tr>
<tr>
<td>The SACCO gives attention to different income levels of clients in targeting particular market niche</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.2364</td>
<td>.63723</td>
</tr>
<tr>
<td>The SACCO considers unique demographic groupings in design of products targeting particular market niche</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.2182</td>
<td>.78625</td>
</tr>
<tr>
<td>The SACCO considers different social classes to inform focus on particular niche</td>
<td>55</td>
<td>3.00</td>
<td>5.00</td>
<td>4.5091</td>
<td>.69048</td>
</tr>
<tr>
<td>The SACCO considers unique physiological aspects in informing differentiation of products for particular market niche</td>
<td>55</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3455</td>
<td>1.18974</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Survey data (2017)
As indicated by the mean of (4.25) and standard deviation of (0.64), the SACCOs in Murang’a County focused to a great extent on unique customer preferences to guide niche product design. Additionally, as represented by the mean of (4.24) and standard deviation of (0.64), the SACCO gave great attention to different income levels of clients in targeting particular market niche. Further, results indicated that the SACCOs considered to a great extent unique demographic groupings in design of products targeting particular market niche as represented by the mean of (4.22) and standard deviation of (0.79) on this factor. Likewise, the SACCOs considered different social classes to a great extent to inform focus on particular niche as indicated by the mean of (4.51) and standard deviation of (0.69). Finally, the SACCOs in Murang’a County considered to a great extent the unique physiological aspects in informing differentiation of products for particular market niche as demonstrated by the mean of (3.35) and standard deviation of (1.19) respectively. The mean of the means of the various focus differentiation factors stood at (4.11) indicating a wide level of application of the focus differentiation strategy generally. The average standard deviation for the individual factors under focus differentiation strategy stood at (0.79) which demonstrated that the responses were largely held close to the mean affirming the high application of this strategy in general.

4.5 Inferential Statistics

This part of the study presents statistics that allow generalisations on the entire population. The key items on this part are the regression and correlation analysis. The findings in this part are then compared and contrasted with previous works and theories to arrive at logical conclusions.

4.5.1 Diagnostic tests

The study involved diagnostic tests to ascertain that the data sets met the general assumptions for regression analysis. The diagnostic tests included the test for normality using Shapiro-Wilk
test of Normality, Test for multicollinearity using regression diagnostics on SPSS, Durbin Watson test for autocorrelation and Test Glejser for heteroskedacity.

**Test of normality**

The study achieved a total of 55 responses. As such, the Shapiro-Wilk test of normality was preferred since the value was less than 2000. If the responses were more than 2000, the study would have then used the Kolmogorov-Smirnov test (Razali & Wah (2011)).

The study then developed key hypothesis for the normality test as follows.

H$_0$: The observed distribution fits a normal distribution.

H$_a$: The observed distribution does not fit the normal distribution.

Therefore, rejecting H$_0$ would imply that the study would be assuming normality.

**Table 4.8: Shapiro-Wilk Test of Normality**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov$^a$</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Df</td>
</tr>
<tr>
<td>Performance</td>
<td>.513</td>
<td>55</td>
</tr>
</tbody>
</table>

$^a$ Lilliefors Significance Correction

**Source:** *Survey data* (2017)

The P value of the Shapiro-wilk test for performance of the SACCOs stood at 0.067. Since this value is greater than 0.05 (5% level of significance), the study failed to reject H$_0$ and an assumption was made that the data set followed a normal distribution. As such, it was held that data set did not significantly deviate from a normal distribution (Shapiro & Wilk, 1965; Razali & Wah 2011).
Test for Multicollinearity

The study also tested the possibility that one predictor variable in a multiple regression model could be linearly predicted from the others with a substantial degree of accuracy which constitutes the multicollinearity problem.

Table 4.9: Test for Multi Collinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.688</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>0.254</td>
</tr>
<tr>
<td>Differentiation</td>
<td>0.287</td>
</tr>
<tr>
<td>Focus Cost Leadership</td>
<td>0.346</td>
</tr>
<tr>
<td>Focus Differentiation</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERFORMANCE

Source: Survey data (2017)

The Tolerance output values for our predictor variables in this case are 0.688, 0.254, 0.287 and 0.346 for cost leadership, differentiation, focus cost leadership and focus differentiation strategies respectively. The Tolerance values all surpass the minimum threshold of 0.10 considered ideal. According to Liu, Kuang, Gong, & Hou, (2003), Tolerance represents the proportion of variation in the predictor variable which cannot be accounted for by the other predictors in the regression model. Extremely small tolerance values renders a predictor redundant. To be specific, values in tolerance that are below 0.10 would warrant further investigation. The collinearity statistics Variance of Inflation Factors (VIF) output for cost leadership, differentiation, focus cost leadership and focus differentiation strategies stand at 1.453, 3.937, 3.484 and 2.890 respectively, values which are all below the recommended cut off point of 10. The Variance of Inflation Factors ideally represents the reciprocal of tolerance; i.e. \(1 / \text{tolerance}\). As a rule of thumb, a variable whose VIF values is greater than 10 may
require further investigation and may be associated with multi collinearity problem. For the
current study, a conclusion was reached on the absence of multi-collinearity problem in the
data set.

**Test for Auto correlation.**

Table 4.10 shows the Durbin Watson statistics, generated using SPSS.

**Table 4.10: Durbin Watson test for Auto correlation**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.874a</td>
<td>.763</td>
<td>.761</td>
<td>2.519880</td>
<td>1.781</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus Differentiation, Focus Cost Leadership, Differentiation, Cost Leadership

b. Dependent Variable: Performance

**Source:** Survey data (2017)

From Table 4.10, the Durbin- Watson statistic $d = 1.781$, lies between the two critical values of $1.5 < d < 2.5$. A conclusion was made to that effect that the first order linear auto-correlation in the multiple regression data was absent (Durbin & Watson, 1971).

**Test for Heteroskedacity using Test Glejser.**

Heteroskedacity is associated with likelihood of there being differences in the residual variance of the observation over time (Long & Ervin, 2000)/.

**The decision rule for Test Glejser was developed as follows.**

If the value Sig. > 0.05, then there is no heteroscedasticity problem.

If the value Sig. <0.05, then there is heteroscedasticity problem
Table 4.11: Test Glejser for Heteroscedacity

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.208</td>
<td>.176</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>.522</td>
<td>.250</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.342</td>
<td>.237</td>
</tr>
<tr>
<td>Focus Cost Leadership</td>
<td>.488</td>
<td>.132</td>
</tr>
<tr>
<td>Focus Differentiation</td>
<td>287</td>
<td>.089</td>
</tr>
</tbody>
</table>

a. Dependent Variable: AbsUt

Source: Survey data (2017)

Based on the results of the heteroscedacity test, the obtained P values for cost leadership, differentiation, focus cost leadership and focus differentiation were 0.058, 0.082, 0.064 and 0.385 respectively which are all greater than 0.05 (> 0.05). As such, the heteroscedacity problem in the data set was absent (Glejser, 1969).

4.5.2 Regression Analysis

Table 4.12 gives statistical output of F test performed using SPSS.

Table 4.12: F Test on ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4.117</td>
<td>4</td>
<td>1.372</td>
<td>.360</td>
<td>.022a</td>
</tr>
<tr>
<td>Residual</td>
<td>274.568</td>
<td>51</td>
<td>3.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>278.685</td>
<td>55</td>
<td>3.813</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus Differentiation, Focus Cost Leadership, Differentiation, Cost Leadership

b. Dependent Variable: Performance

Source: Survey data (2017)
At the 5% or 0.05 level of significance, the Analysis of Variance (ANOVA) output provides evidence to demonstrate that the slope of the regression line was not zero. This is because the P value of 0.022 is less than 5% level of significance, i.e. p value < 0.05. As such, a conclusion was reached that at least one of the independent variables cost leadership, differentiation, focus cost leadership and focus differentiation strategy was a useful predictor of performance.

Table 4.13 presents the regression model summary.

**Table 4.13: Regression Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.874a</td>
<td>.763</td>
<td>.761</td>
<td>2.519880</td>
<td>1.781</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus Differentiation, Focus Cost Leadership, Differentiation, Cost Leadership

b. Dependent Variable: Performance

**Source: Survey data (2017)**

The Coefficient of Determination or R square stands at 0.763 which implies that 76.30% of the variation in the Performance of SACCOs (the dependent variable) is explained by variability in the independent variables i.e. cost leadership, differentiation, focus cost leadership and focus differentiation. As such, only 23.70% of the variation in the performance is explained by other factors not included in the model. As such, guided by Draper, Smith and Pownell (1966) and Seber & Lee (2012), it was concluded that at least one of the competitive strategies under assessment were useful predictors of performance.

The table that follows presents the Regression Model Coefficients. The Regression Model is a key tool for the study at hand in explaining the effect if any between the variables under assessment and performance.
Table 4.14: Regression Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.285</td>
<td>.713</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>1.644</td>
<td>.420</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.857</td>
<td>.373</td>
</tr>
<tr>
<td>Focus Cost Leadership</td>
<td>.661</td>
<td>.457</td>
</tr>
<tr>
<td>Focus Differentiation</td>
<td>.489</td>
<td>.274</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

Source: Survey data (2017)

From the regression analysis output, all the regression coefficients for the independent variables i.e. cost leadership, differentiation, focus cost leadership and focus differentiation strategies are all statistically significantly different from 0 (zero) since their P Values are all less than 0.05. The coefficient for cost leadership (1.644) is significantly different from 0 because its p-value of 0.012 is less than 0.05 level of significance. This means that a unit increase in cost leadership activities would lead to a 1.644 unit increase in the performance of the SACCOs. The study agreed with past results reported by Mwangi and Ombui (2013) and Sifuna (2014) who indicated that cost leadership significantly and positively influenced the performance of firms through economies of scale, capacity utilization of resources, mass production and mass distribution, reduction of operations time and costs, efficiency and cost control. The results however contradict with Yaşar (2010) who established no significant relationship between competitive strategies including cost leadership strategies and firm performance in Gaziantep carpeting industry and suggested that in order to improve performance and to preserve sustainable competitive advantage in global markets, competitive strategies must be applied resolutely.
The coefficient for differentiation (0.857) is statistically significant since its p-value of 0.016 is less than 0.05 level of significance. This means that a unit increase in differentiation would lead to a 0.857 unit increase in the performance of the SACCOs. The results agree with past studies such as Kinyuira (2013) who found significant positive effects of differentiation strategy on performance of SACCOs. It further agrees with Teeratansirikool, Siengthai, Badir, and Charoenngam (2013) who indicated that differentiation strategy yielded both and indirect significant effects on firm performance through financial measures. Finally, the results match with those by Arasa and Gathinji (2010) who indicated that differentiation strategy influenced performance of firms indicated by sales and market share.

The coefficient for focus cost leadership (0.661) is statistically significant because its p-value of 0.002 is below the 0.05 level of significance. This demonstrates that a unit increase in focus cost leadership initiatives would result in a 0.661 unit increase in Sacco’s performance. The findings agree with past studies such as Gituku and Kagiri (2015) who indicated positive influence between market focus and specifically focus on cost and firm performance. The results also match with those earlier presented by Waema (2013) and Bisungo, Chege, and Musiega (2014) who indicated that focus cost leadership enhanced business performance.

The coefficient for focus differentiation (0.489) is statistically significant since its P value of 0.032 is less than 0.05 level of significance. This implies that a unit increase in focus differentiation initiatives would lead to a 0.489 unit increase in the performance of SACCOs. The study results agree with Peter, Namusonge, Waema, and Ngonzo (2014) who found that market focus strategies and particularly market segmentation and convenience retailing as components of focus differentiation strategies had a great impact on performance. It further

A conclusion was made to that effect that all the independent variables under competitive strategies were useful predictors of performance of SACCOs and that they all affected performance positively. The regression model for competitive strategies and performance of the SACCOs was therefore developed as follows:

\[
\text{Performance} = 3.285 + 1.644 \times \text{(Cost Leadership)} + 0.857 \times \text{(Differentiation)} + 0.661 \times \text{(Focus Cost Leadership)} + 0.489 \times \text{(Focus Differentiation)}.
\]

4.5.3 Pearson Correlation analysis

The Pearson Correlation analysis was also applied to illuminate the magnitude and direction of relationship between each competitive strategies and performance the SACCOs in Muranga County, Kenya. The table that follows presents the Pearson Correlation Output as derived from SPSS.
Table 4.15: Pearson Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COST LEADERSHIP</strong></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td><strong>DIFFERENTIATION</strong></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td><strong>FOCUS COST LEADERSHIP</strong></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td><strong>FOCUS DIFFERENTIATION</strong></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

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

Source: *Survey data (2017)*

All the independent variables and performance of SACCOs showed significant positive associations. The Pearson Correlation Coefficient for cost leadership is 0.770 implying that the variable has a positive relationship with performance. The strength of association between the two variables; cost leadership and performance is very strong since the Pearson Correlation Co-efficient is above 0.70. Furthermore, the relationship is statistically significant since the Sig. (2-tailed) value of 0.012 is below the 0.05 or 5% level of significance. The study agreed with past results reported such as Mwangi and Ombui (2013) and Sifuna (2014) who indicated a positive relationship between cost leadership and performance of firms. The results however conflict with Yaşar (2010) who established no significant relationship between competitive strategies including cost leadership strategies and firm performance suggesting that in order to improve performance and to preserve sustainable competitive advantage in global markets, competitive strategies must be applied resolutely.
The Pearson Correlation Coefficient for differentiation stands at 0.613 which shows a positive relationship between differentiation strategy and performance. The relationship between the two variables; differentiation and performance is strong since the Pearson Correlation coefficient is greater than 0.50. The relationship is also statistically significant since the sig (2-tailed) value of 0.023 is less than 0.05 significance level. The results agree with past studies such as Kinyuira (2013), Teeratansirikool, Siengthai, Badir and Charoenngam (2013) and Arasa and Gathinji (2010) who found significant positive relationship between differentiation strategy and performance of SACCOs.

The Pearson Correlation coefficient for Focus Cost Leadership is 0.537 which indicates a positive association between Focus Cost Leadership and Performance and demonstrates a strong level of association since value is more than 0.5. The relationship is statistically significant because the Sig. (2-tailed) value of 0.011 is less than 0.05 level of significance. The findings agree with past studies such as Gituku and Kagiri (2015), Waema (2013) and Bisungo, Chege, and Musiega (2014) who indicated positive relationship between market focus and specifically focus on cost and firm performance.

Finally, the Pearson Correlation coefficient for Focus Differentiation strategy stands at 0.495 which indicates a positive association between the strategy and performance. This further demonstrates a moderate relationship between the two variables since the value is more than 0.3 but less than 0.5. In addition, the relationship is considered statistically significant since the Sig. (2-tailed) value of 0.010 is less than 0.05 level of significance. The study results agree with Peter, Namusonge, Waema, and Ngonzo (2014), Uchegbulam & Akinyele (2015) and Ndhiwa (2010) who found that focus differentiation strategies had a positive relationship with performance.
5.1 Introduction

This chapter covers the summary of the study, conclusions and key policy recommendations made by the researcher in order to enhance the performance of SACCOs as key drivers of the Kenyan economy. The section further covers the recommendations for further research in order to advance the development of the wealth of knowledge of this subject.

5.2 Summary

On performance, the study established wide disparities in performance of the individual SACCOs with some performing incomparably better than others as indicated by both Market share and growth in sales. For instance, with regard to market share, one SACCO controlled more than half of the market. The Coefficient of Determination or R square demonstrated that more than three quarters of the variation in the performance of SACCOs was explained by variability in the competitive strategies pursued by the SACCOs.

On cost leadership, the study generally revealed high level of application of the cost leadership strategy in the SACCOs. It was established that SACCOs applied economies of scale through mass production and mass distribution of its products which is an important factor in enhancing cost leadership. The SACCOs were also committed to optimal capacity utilisation key in cutting running costs and had also put in place operational efficiency and cost control measures towards cutting costs. Further, there was great pursuit of key linkages and alliances with service providers and strategic institutional partners to ensure minimisation of costs. Regression analysis results established performance enhancing effects of pursuit of cost leadership strategy. In other words, cost leadership was found to be a statistically significant determinant.
of performance. Cost leadership demonstrated a very strong positive relationship with performance of the SACCOs as demonstrated by the Pearson Correlation analysis output.

On differentiation strategy, the study established in general that the strategy was largely applied by the SACCOs in an attempt to enhance their competitive base and performance. The SACCOs were found to continuously develop and distinguish their products or services and remained aggressive in developing and distinguishing products based on place aimed at winning different geographical markets. In addition, the SACCOs developed and distinguished their offerings based on price to win different income level clientele. Likewise, the SACCOs also aggressively distinguished their services based on promotion or advertising campaigns and enhanced their technology leadership to keep up with need to create more differentiated products especially mobile banking platforms. Regression analysis results indicated that differentiation strategy pursued by the SACCOs enhanced performance. The correlation analysis results established a strong positive relationship between differentiation strategy and performance of SACCOs.

On focus cost leadership, the study demonstrated in general, wide application of the strategy as a competitive strategy in the SACCO. The study results indicated wide application of discriminate pricing by the SACCOs for their products in an attempt to effectively meet customer demands. Further, the SACCOs products were also largely designed to meet specific needs of diverse social classes. The SACCOs products were also to a great extent designed in a manner to attract different income level clients. Further, the SACCOs’ pricing strategy was largely informed by the unique characteristics of clients from different market segments. Regression analysis results indicated that focus differentiation strategy pursued by the SACCOs enhanced their performance. The study through the correlation analysis procedure indicated that focus cost leadership has a strong level of association with performance.
On focus differentiation strategy, the study revealed generally wide application of the strategy by the SACCOs in Murang’a County in pursuit of enhancing their competitiveness in the market. The SACCOs focused to a great extent on unique customer preferences to guide niche product design. Additionally, the SACCOs gave great attention to different income levels of clients in targeting particular market niche. Further, unique demographic groupings were greatly considered in design of products targeting particular market niche. Likewise, the SACCOs considered different social classes and unique physiological aspects to inform focus on particular niche. Regression analysis results showed that focus differentiation strategy pursued by the SACCOs was a statistically significant determinant of performance. The correlation analysis results demonstrated a moderate relationship between focus differentiation strategy and performance.

5.3 Conclusion

From the inferential statistics that allow inferences or generalisations to be made to the entire population, it was concluded that competitive strategies were key to influencing the performance of SACCOs. It was concluded, going by the regression results that cost leadership influences greatly the performance of SACCOs. A further conclusion was made, going by the results of the Correlation Analysis that the relationship between cost leadership and performance is very strong and positive meaning that an increase in cost leadership would lead to significant improvement in performance of SACCOs.

On differentiation, it was concluded that the differentiation strategy greatly and significantly influenced the performance of SACCOs. Correlation analysis results led to a conclusion that the relationship between the cost leadership and performance of SACCOs is strong and positive. The implication is that investment in differentiation initiatives would lead to a significant improvement in SACCOs’ performance.
It was also concluded, guided by the regression analysis results, that focus differentiation was a major determinant of the performance of the SACCOs. It was further concluded, going by the correlation analysis results that focus cost leadership and performance of SACCOs exhibit a strong and positive relationship. It was further concluded that focus differentiation yields a statistically significant effect on performance of SACCOs. A further conclusion was made, as informed by correlation analysis results, that focus differentiation strategy yields a moderate positive relationship with performance.

5.4 Recommendations

On the fact that the study established wide disparities in performance of the individual SACCOs, the study recommends investment in competitive strategies that would serve to improve performance. Guided by the conclusion made underlining the value of cost leadership initiatives, the study recommends pursuit of activities that develop the cost leadership framework of the SACCOs in order to fast-track performance of the firms and develop their contribution to the economy. The study recommends application of enhanced measures that promote economies of scale, commitment to optimal capacity utilisation key in cutting running costs, adoption of measures to enhance operational efficiency and cost control creation of key linkages and alliances with key stakeholders.

Guided by findings and conclusions that affirmed the value of investment in differentiation strategy, the study recommends investment in activities geared towards an enhanced differentiation culture in the SACCOs. The study specifically recommends up scaled pursuit of continuous development of SACCO products to enhance their marketability and acceptance. There is also need to promote and upscale aggressive promotion or advertising campaigns to
outline the distinction of the SACCO products from other offerings in the market. The study recommends more research and innovation to build continuous technology leadership especially on upcoming customer interaction platforms such as mobile banking, agent banking and internet banking.

On focus cost leadership, the study recommends more investment in this competitive strategy. The study recommends the use of discriminate pricing in order to effectively meet customer demands and need to continue the development of products to meet specific needs of diverse social classes and attract different income level clients. With regard to focus differentiation strategy, the study recommends more investment on activities that make up this strategy. This is informed by the conclusions made underlining the role played by this competitive strategy in enhancing performance. There is need to continue to give close attention to unique customer preferences and income levels in designing the SACCO products.

5.5 Suggestions for further research

There are different types of strategies pursued by an organisation. Given the importance of strategy development and implementation to firms, the study recommends future studies to address other types of organisational strategies such as intensive growth strategies in order to determine the value of those strategies to business entities as well. Owing to time and resources limitation, the study was only limited to Murang’a County, Kenya. The study recommends a follow up study that targets and covers the entire SACCO sub sector in Kenya. It is further recommended that future studies be replicated to other important sectors of the economy such as the manufacturing sector which has been identified by the World Bank as a key sector that can turn around the Kenyan economy and enhance the realisation of Kenya’s Vision 2030.
REFERENCES


Appendices

Appendix One: Letter of Transmittal

ESTHER NJOKI MAINA
P.O BOX 209-10100,
NYERI.

10TH APRIL 2017

Dear respondent,

RE: DATA COLLECTION FOR A STUDY ON COMPETITIVE STRATEGIES AND PERFORMANCE OF DEPOSIT TAKING SACCOS IN MURANGA COUNTY, KENYA

I am student of Kenyatta University pursuing Master of Business Administration, with a specialization in strategic management. I am undertaking a study on competitive strategies and performance of SACCOS in Muranga County, Kenya. This is part of the university requirement in partial fulfilment of the above stated postgraduate degree. For that matter, I have developed a questionnaire aimed at obtaining relevant data. I wish to request you to accord me some of your valuable time to respond to the questionnaire as guided. The data collected is purely for academic use. A commitment is therefore made that the information given will be treated with utmost confidentiality.

Thanks in advance.

Yours faithfully,

ESTHER MAINA NJOKI,
MOBILE NO: 0724885904
Appendix Two: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the SACCO……………………………………………………………………………………………

2. Gender of participant  
   Male ( )  
   Female ( )

3. Respondents’ Leadership position in the Company.  
   CEO ( )  
   Executive Board Member ( )  
   Marketing Managers ( )  
   Credit Managers ( )  
   Accountant ( )

4. Highest level of education of the respondent:
   ( ) Primary  
   ( ) Secondary  
   ( ) Certificate  
   ( ) Diploma  
   ( ) undergraduate Degree  
   ( ) Post graduate  
   ( ) others.

SECTION B: COMPETITIVE STRATEGIES

PART I: COST LEADERSHIP

To what extent do you agree with the extent to which the SACCOs apply the following Cost Leadership methods in its day to day business undertaking?

SCALE:  1) Not at All  2) Little Extent  3) Moderate Extent  
        4) Great Extent  5) Very Great Extent

5. The SACCO highly utilises economies of scale through mass production and mass distribution of its products.

6. The SACCO is committed to optimal capacity utilisation in key in cutting running costs.

7. The SACCO has put in place operational efficiency and cost control measures towards cutting costs in the firm.

8. The SACCO pursues key linkages and alliances with service providers and strategic institutional partners to ensure minimisation of costs.

PART II: DIFFERENTIATION

Kindly indicate, in your opinion the extent of application of the following differentiation strategies by the SACCO Society?

SCALE:  1) Not at All  2) Little Extent  3) Moderate Extent  
        4) Great Extent  5) Very Great Extent
PART III: FOCUS COST LEADERSHIP

To what extent do you share with the following statements regarding Focus Cost Leadership Strategy in the SACCO?

SCALE:  
1) Not at All  
2) Little Extent  
3) Moderate Extent  
4) Great Extent  
5) Very Great Extent

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. The SACCO develops and distinguishes its products or services offered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. The SACCO is aggressive in developing and distinguishing products based on place aimed at winning different geographical markets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. The SACCO develops and distinguishes their offerings based on price to win different income level clientele.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. The SACCO aggressively pursues distinguishes its services based on promotion or advertising campaign.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. The SACCO has embraced technology leadership as a key facet of differentiation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART IV: FOCUS DIFFERENTIATION STRATEGY

Kindly indicate, in your opinion the extent of application of the following Focus differentiation strategies by the SACCO Society?

SCALE:  
1) Not at All  
2) Little Extent  
3) Moderate Extent  
4) Great Extent  
5) Very Great Extent

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. The SACCO applies discriminate pricing for its products to effectively meet customer demands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. The SACCOs products are designed to meet specific needs of diverse social classes</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>16. The SACCOs products are designed and packaged in a manner to attract different income level clients</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>17. The SACCOs pricing strategy is informed by the unique characteristics of clients from different market segments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The SACCO focuses on unique customer preferences to guide niche product design

The SACCO gives attention to different income levels of clients in targeting particular market niche

The SACCO considers unique demographic groupings in design of products targeting particular market niche

The SACCO considers different social classes to inform focus on particular niche

The SACCO considers unique physiological aspects in informing differentiation of products for particular market niche

SECTION C: PERFORMANCE

22. Kindly provide the following statistics concerning the Performance status of the SACCOs in Muranga County.

<table>
<thead>
<tr>
<th>FINANCIAL YEAR</th>
<th>Market Share (%)</th>
<th>Turnover Growth in (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013/2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[
\text{Turnover Growth in (\%)} = \left( \frac{\text{Turnover Current year} - \text{Turnover Previous year}}{\text{Turnover Current year}} \right) \times 100
\]

23. What recommendations would you give towards improving the performance status of the SACCO?

………………………………………………………………………………………………………………………………………………

………………………………………………………………………………………………………………………………………………

24. Please provide in the space provided, any more information you deem relevant to the study but which may not have been captured

………………………………………………………………………………………………………………………………………………

………………………………………………………………………………………………………………………………………………

Thank you for filling this Questionnaire
### Appendix Three: List of SACCOs in Murang’a County

<table>
<thead>
<tr>
<th>S/ No.</th>
<th>Name of the SACCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MURAMATI SACCCCO NOW UNAITAS SACCO</td>
</tr>
<tr>
<td>2.</td>
<td>MENTOR SACCO</td>
</tr>
<tr>
<td>3.</td>
<td>MURATA SACCO NOW AMICA SACCO</td>
</tr>
<tr>
<td>4.</td>
<td>MUMATHI SACCO</td>
</tr>
<tr>
<td>5.</td>
<td>KIMURI SACCO</td>
</tr>
<tr>
<td>6.</td>
<td>RUBET SACCO</td>
</tr>
<tr>
<td>7.</td>
<td>FARMNUT SACCO</td>
</tr>
<tr>
<td>8.</td>
<td>MURANGA FARMERS SACCO</td>
</tr>
</tbody>
</table>

Source: Department of Cooperatives of Muranga County Government.
Appendix Four: Research Authorization by NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349,3310571,2119420
Fax: +254-20-318243,318249
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

Ref. No. NACOSTI/P/17/59628/18178 Date: 12th July, 2017

Esther Njoki Maina
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Competitive Strategies and performance of deposit taking SACCOs in Murang’a County, Kenya,” I am pleased to inform you that you have been authorized to undertake research in Murang’a County for the period ending 12th July, 2018.

You are advised to report to the County Commissioner and the County Director of Education, Murang’a County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Murang’a County.

The County Director of Education
Murang’a County.
Appendix Five: Research Permit by NACOSTI

THIS IS TO CERTIFY THAT:
MISS. ESTHER NJOKI MAINA
of KENYATTA UNIVERSITY, 1372-10101
KARATINA, has been permitted to
carry out research in Muranga County
on the topic: COMPETITIVE STRATEGIES
AND PERFORMANCE OF DEPOSIT
TAKING SACCOS IN MURANGA COUNTY,
KENYA
for the period ending:
12th July, 2018

Applicant's
Signature

Permit No: NACOSTI/P/17/59628/18178
Date Of Issue: 12th July, 2017
Fee Received: Ksh 1000

Director General
National Commission for Science,
Technology & Innovation

CONDITIONS
1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit an annual report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimen are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

REPUBLIC OF KENYA

National Commission for Science,
Technology and Innovation

Serial No: A 14889

CONDITIONS: see back page
Appendix Six: Research Authorization by Kenyatta University

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@kau.ac.ke
Website: www.ku.ac.ke

Our Ref: D53/NYI/PT/32068/2015
DATE: 25th June, 2017

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR ESTHER NJOKI MAINA - REG. NO.
D53/NYI/PT/32068/2015

I write to introduce Ms. Esther Njoki Maina who is a Postgraduate Student of this University. She is registered for M.B.A degree programme in the Department of Business Administration.

Ms. Maina intends to conduct research for a M.B.A Project Proposal entitled, “Competitive Strategies and Performance of Deposit Taking Sacco in Muranga County, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

[Signature]

FOR: DEAN, GRADUATE SCHOOL

[Stamp]