EVALUATION OF COMPETITIVE STRATEGIES APPLIED BY SAVINGS AND CREDIT CO-OPERATIVES IN ENHANCING THEIR FINANCIAL PERFORMANCE: IN KIAMBU COUNTY KENYA

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

OCTOBER, 2017
DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

………………………………… ……………………………………

Signature Date

NGANGA MWANGI DANIEL.

D53/OL/27214/2013

I confirm that the work in this research was done by the candidate under my supervision.

………………………………… ……………………………………

Signature Date

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Kenyatta University
DEDICATION

This research work is dedicated to my family members who have been very instrumental and inspirational to the start of my Master’s Degree. I hope this project work will be an inspiration to them too and those around them. God bless you.
ACKNOWLEDGEMENT

First, and most importantly, I thank our Almighty God for giving me the strength and providing means to undertake this study. I am grateful to my supervisor, Dr. Gakobo Joyce who provided invaluable guidance, tireless efforts, valuable criticisms and suggestions and for constant encouragement throughout the preparation of research. I would also like to thank my family at large for the support and encouragement that they accorded me throughout the project period. To each of the above, I extend my deepest appreciation.
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<td>ACCOSSCA</td>
<td>Africa Confederation of Cooperative Society Savings and Credit Association</td>
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<tr>
<td>BOSA</td>
<td>Back Office Service Activities</td>
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<tr>
<td>CAMEL</td>
<td>Capital, Asset, Management, Earnings and Liquidity</td>
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<tr>
<td>D.T. SACCOs</td>
<td>Deposit Taking Savings and Credit Cooperative Societies</td>
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<td>FOSA</td>
<td>Front Office Service Activities</td>
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<td>FSD</td>
<td>Financial Sector Deepening</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>KUSCCO</td>
<td>Kenya Union of Saving and Credit Co-operatives</td>
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<td>MDGS</td>
<td>Millennium Development Goals</td>
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<td>MFI</td>
<td>Micro Finance Institution</td>
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<td>PEARLS</td>
<td>Protection, Effective Financial Structure, Asset Quality, rates of Return and Costs, Liquidity and Sign of Growth</td>
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<td>RBV</td>
<td>Resource Based View</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperatives</td>
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<td>SASRA</td>
<td>SACCO Society Regulatory Authority</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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<td>UFIRS</td>
<td>Uniform Financial Institutions Rating System</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>VRIN</td>
<td>Valuable, Rare, Expensive to Imitate and Not Substitutable</td>
</tr>
<tr>
<td>VRIIO</td>
<td>Valuable, Rare, Expensive To Imitate and Organized</td>
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<tr>
<td>WOCCU</td>
<td>World Council of Credit Unions</td>
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<td>OPERATIONAL DEFINITION OF TERMS</td>
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<td>----------------------------------</td>
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<td><strong>Strategy</strong></td>
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<td>It is a long-term direction and scope of an organization which realizes advantage for the organization through its structure of resources within a competitive and challenging environment, to meet the needs or demands.</td>
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<td><strong>Competition</strong></td>
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<td>It is the situation where two or more businesses strive for the same customer or market and try to outdo one another.</td>
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<td><strong>Competitive advantage</strong></td>
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<td>Is the advance benefit that an organization occupies against its rivals. Businesses will strive to build competitive advantage by taking offensive or defensive measures towards achieving a sustainable market position that effectively manages fierce forces of competition while generating better performance and profits.</td>
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<tr>
<td><strong>Competitive strategy</strong></td>
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<td>Is the long term plan of a particular SACCO in order to gain competitive advantage over its competitors in the industry. It is aimed at creating defensive position in an industry and generating a superior return on investment.</td>
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<td><strong>Financial performance</strong></td>
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<tr>
<td>Is a quantitative measure of how well firm use assets from its primary mode of business to generate revenues. It measures the financial health of an organization.</td>
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<td><strong>Sustainable advantage</strong></td>
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<tr>
<td>Is the action or position that a firm undertakes or gains to preserve and develop its competitive position in a market to counter competition in the long term.</td>
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The precise interpretation of Jua Kali in Kenyan Kiswahili is “fierce sun“; the meaning is someone, business person, or entrepreneur that can undoubtedly fix or practically do anything upon request. Also, jua kali sector of business is the business that deals with locally made small scale products or products that require modification before they hit the market.

**Assets**

This is an economic resource capable of being controlled and or owned to produce gains of positive economic value.

**Capital**

Financial assets or value attached to financial assets such as cash and loans.

**Management**

This is the process of organizing and coordinating business activities in order to achieve a predefined goal or objective.

**Earnings**

This is a firm’s total revenue less its depreciation, interest paid, operating expenses and taxes.

**Liquidity**

It is a high level of exchange that allows buying and selling with few price disturbances. It is easily converted into cash.
ABSTRACT

In today’s dynamic and turbulent business environment where change is the only constant, SACCO’s are finding it hard to perform financially and survive amidst cut throat competition in the financial sector. In Kenya’s financial landscape where the SACCOs play an important role in financial intermediation with a focus on personal development and growth of SMEs, their fundamental role has continued to diminish due to ever growing competition in this sector. A firm can apply the right generic competitive advantage to result in superior performance. However, in the pursuit and application of right competitive strategies, these SACCOs have made little or no effort to comprehend how they can gain and sustain a competitive advantage through adoption of strategies. This study aimed at evaluating strategies that SACCOs in Kiambu County apply to gain and sustain a competitive advantage that results to enhanced financial performance. The study adopted a descriptive survey design from a population of 400 SACCO staff members and directors. A cluster sampling technique was adopted where each selected SACCO formed a cluster from which the sample was drawn. A sample of 5 respondents were drawn from each of the 16 DT SACCOs registered under SASRA and headquartered in Kiambu County, which represented a 20% of the population. Primary data was obtained through questionnaires and interviews while secondary data was collected from Kiambu SACCO records, SASRA documentations and other Government organization records. To test for reliability of the study, the researcher used the test-retest reliability method and to guarantee questionnaire reliability. Validity of the study was guaranteed by inclusions of objective questions in the questionnaire and sampling them over a range of the sample. The data was analyzed using Statistical Package for the Social Sciences (SPSS) and Microsoft Excel; the results were presented by the use of tables and figures. The study revealed a significant positive relationship between competitive strategies employed by SACCOs and the overall financial performance. The Pearson’s correlation coefficient analysis done at 0.05% significance level showed that there a strong relationship between the competitive strategies applied by the SACCOs and the resulting financial performance. This therefore depicts that SACCOs in Kiambu County are employing competitive strategies as a sure way of increasing their financial performance over its rivals.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings and Credit Cooperative Societies (SACCOs) are cooperative financial organizations or voluntary associations owned and controlled by their members and focus on mobilizing savings, issuing credit at low interest rates and providing various financial services to its members (Waweru, 2011). Generally, co-operatives are structured into service and producer cooperatives. The main objectives of producer co-operatives are to encourage use of modern technology and contribute to national growth through production of goods. Service co-operatives on the other hand are responsible for member’s education, procurement, loan disbursement, sale of consumer, goods extension services and marketing (Branco, 2005). According to Kivuvo (2014), the cooperative movement plays an important function in socio-economic growth of world’s economies most significantly contributing to their Gross Domestic Product (GDP).

1.1.1 Emergence and Development of SACCO Movement

The cooperative movement can be traced back in Europe in the 19th century, Primarily in France and Britain. However, the Shore Porters Society claims to be the first co-operative in the world which was established in Aberdeen in 1498. The first consumer cooperative to be documented was found in 1769, in a barely furnished cottage in Fenwick, East Ayrshire. Several Cooperative Societies followed thereafter with several hundreds of them being formed by 1830. Some were initially successful while others founded in early 19th century had failed by 1840.
The modern cooperative movement was established in 1844 following the Rochdale principles which were used to run the Rochdale Society of Equitable Pioneers. According to European Cooperatives Performance Review (2010), cooperatives in Europe with its members represent a force for economic growth and social change of 123 million member cooperators owning 160,000 cooperative enterprises and giving jobs to 5.4 million European citizens. Another generation of pioneers of modern cooperatives was inspired by the success of consumer cooperatives formula in Great Britain. They were based on rural solidarity and old traditions aimed at meeting unsatisfied primary needs (Mwakajumilo, 2011).

In the African history, the genesis of SACCO Societies was introduced in Ghana in 1959 by a Roman Catholic priest; Father John McNulty who had studied in Canada about Savings and Credit Cooperatives. The SACCO was established to help Jirapa villagers improve their economic status (Ng'ombe & Mikwamba, 2004). The Jirapa savings and credit cooperative spread throughout Ghana and by 1968, the credit union of Ghana was formed by all SACCOs in the country (Alila & Obado, 1990). Notably, English speaking countries pioneered SACCOs. The first countries to establish SACCOs were Ghana, Uganda, Nigeria, Tanzania, and Kenya. On the contrary, Non-English speaking countries in Africa joined the SACCO movement in 1960s with the highest number coming in by 1970s (Mwakajumilo, 2011).

The formation of SACCOs in Africa grew tremendously with the African countries forming a continental association of SACCOs, Africa Confederation of Cooperative Society Savings and Credit Association (ACCOSSCA) in year 1965 to promote SACCO
principles, offer SACCO insurance and educate members on SACCO issues (Ng’ombe and Mikwamba, 2004). Currently, there are 28 countries in Africa that have established SACCOs (Savings Plus, 2010). According to World Council of Credit Unions (WOCCU) Statistical Report (2013), Africa has a total SACCO membership of above 17 million, with savings worth USD 4.897 billion and loans of USD 5.912 billion. Of the total savings mobilized by SACCOs in Africa and loans advanced, Kenya contributes up to 54.31% of the savings and 63.14% of the SACCO loans.

In Kenya, the first Co-operative Society was Lumbwa Co-operative Society formed in year 1908 by the European farmers with the main objective of supporting agricultural activities and products to take advantage of economies of scale (Kenya Union of Saving and Credit Co-operatives [KUSCCO], 2006). According to Gamba & Komo (2012), Africans were allowed to join cooperative societies much later in year 1944. Notably, after independence the Government of Kenya recognized co-operatives as suitable vehicles with appropriate framework to achieve their aspirations and participate in the economic development of the nation.

Accordingly, steps were taken by the Government which saw the rapid growth and expansion of the SACCO Society movement in the country (Gardeklint, 2009). The SACCO movement is considered by the government as one of the economic pillars of the nation. By the year 2010, Kenya had over 5,000 registered SACCOs with a membership of about 7 million. These SACCO societies had mobilized savings of over Ksh. 200 billion (Republic of Kenya (RoK), 2008; Ndung’u, 2010).
As per the SACCO Supervision Survey (2010), the subsector had assets standing at 216 billion which was a growth of 11% up from Kshs. 194 billion recorded in year 2009. This growth was well seen in member deposits and share capital at Kshs. 164 billion which balanced relatively well with loans and advances that stood at 158 billion. According to SASRA Survey (2013), in Kenya, the SACCO movement has evolved in the past 40 years into a formidable force for the social and economic transformation of the Kenyan people. There are 12,000 registered cooperative societies with a membership of over 7 million out of which 5,000 are SACCOs and 230 have Front Office Service Activities (FOSAs) while the rest offer only credit facilities. By the beginning of year 2016, SASRA had registered 164 SACCOs in Kenya who were dully licensed to carry out Deposit-Taking (DT) SACCO business in Kenya up to 31st December 2016 and other 12 SACCOs restricted up to June 2016. Among these SACCOs registered under SASRA, 16 were headquartered in Kiambu County. Besides, about 63% of the Kenyan population directly and indirectly depends on the cooperative related activities for their livelihood and the SACCO sector has mobilized over Ksh. 200 billion in savings which is about 31% of the overall national savings. According to Financial Sector Deepening (FSD) 2010, SACCOs are one of the leading sources of rural financing if not the only source.

In Kenya, SACCOs have over the years been investing with the objective of shareholder’s wealth maximization (Olando et al., 2013). The main objective of SACCOs is to ensure their members are empowered through mobilization of savings and disbursement of credit at favorable interest rates (Ofei, 2001). Previous studies have indicated that lack of sustained growth of SACCOs’ assets has been a limiting factor,
making it difficult for them to take in their operational losses, which has endangered their sustainability. Savings mobilization of a SACCO should be strengthened by enough institutional capital which guarantee permanency while providing a cushion to impairment of members’ savings and losses in turbulent economic times (Evans, 2001). In fact, it helps the SACCOs to develop and, continue being economically and financially viable (Gijselinckx & Devetere, 2007). Such growth enhances its financial performance and ensures that it remains economically healthy.

1.1.2. Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It is the results of an organization’s policies and operations in monetary terms. Common indicators of financial performance consist of operating income, earnings before interest and taxes, and net asset value (Cole, G., (2004). Besides a firm producing financial statements at the right time, measurement of financial performance will ensure analysis of financial statements to produce important information for enhanced financial performance, (Johnson & Scholes, 2007). The importance of financial performance measurement is to provide the firm with the highest return on the capital employed in that business (Ngui, A. N., 2010). Traditionally, ratio analysis was used widely where ratios are classified according to measured performance aspects namely profitability, efficiency, liquidity and leverage (Mwaura, 2005).

In 2012, SASRA implemented an electronic Capital Adequacy, Asset, Management, Earnings and Liquidity (CAMELS) financial performance evaluation framework to evaluate financial soundness of SACCOs which focused on prudential standards. The adoption and implementation of this performance evaluation tool guarantees objectivity
and consistency in monitoring of the financial wellness and strength of individual SACCOs. WOCCU developed the Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity and Sign of Growth (PEARLS) financial monitoring system. PEARLS is a toolkit, sequence of ratios combined into an assessment program that is able to measure the individual elements and the system as one unit. According to Kiaritha (2015), on determinants of SACCO’s financial performance, competition in banking, internal politics, operating costs, member’s saving culture and investment policy were viewed as important aspects of financial performance.

Parast and Fini (2010) pointed that in the quest of superior financial performance and profitability, firms are coming up with new strategies. As competition increases due to evolution of industry structure and the surfacing of new technologies, firms are determined to cut on their operational costs to enhance their profitability.

1.1.3 Competitive Strategies

The notion of strategy has its origins from both political past and military history. According to Blackberry (1994), military strategy involves the planning and conduct of battles, the movement and disposition of powers, and the deception of the rival. Until the 1940s, strategy was perceived predominantly a matter for the military (Bhatia, 2004). The word strategy wholly entered into the business world after World War II and has since grown rapidly and significantly. Like military, businesses too are on war footing due to competition becoming more and more fierce and survival more problematic (Ferreira, 2014). Businesses will employ strategies to outperform their competitors. According to Michael Porter (1985), an organization will outperform its rivals if it can establish a difference that it can maintain.
Competitive strategy is a long-term plan of action that a firm devises towards attaining a competitive advantage over its competitors after scrutinizing their strengths and weaknesses in comparison with their own (Michael Porter, 1985). Bagire and Namada (2011) observed that the models that accounted for the competitiveness of businesses in various parts of the world like firm internationalization, market liberalization, and strategic planning became common in Africa much later. Kenya’s Vision 2030 is a blue print that covers the period 2008 to 2030 (Government of the Republic of Kenya, 2007). It is a strategic plan for the whole country that aims not only at meeting the Millennium Development Goals (MDGs) but also making it a globally competitive country that will emulate countries like Malaysia and Korea. Competitive advantage strategies have also been adopted by SACCOs in Kenya and more so in Kiambu County.

1.1.4 Competitive Advantage

Cole Ehmke defines competitive advantage as benefit gained over rivals by offering consumers superior value, either through reduced prices or by providing additional benefits and services that justify similar or possibly higher prices. Porter (1985) argues that firm’s superior financial performance can be realized in a competitive industry through pursuant of a generic strategy which is the development of cost leadership, differentiation or focus strategy to industry competition. If an organization does not choose one of these strategies, it will find itself stuck-in-the-middle where it will experience lower overall performance as compared to firms that use generic strategy (Porter, 1980). Porter (1985) argues that in today’s business environment, strategy is about choosing the set of activities, in which a firm will outshine others in the industry due to its ability to create a sustainable difference in the market place.
Fay (2000) argues that the attainment of a sustainable competitive advantage position can be expected to lead to a firm’s superior financial performance. Barney (1991) has argued that firm’s resources owned and controlled by a firm will eventually enable it to conceive and implement strategies that will improve efficiency and effectiveness hence superior firm’s performance.

Studies have revealed that there is a significant complex relationship between competitive advantage and the firm’s overall performance, (Ma et al., 2000). Anchoring on this view that competitive edge and firm’s performance are related, firms should focus their managerial strategy towards attaining a sustaining competitive advantage position over their rivals which will subsequently result in superior firm’s performance. Other contributors inclined to resource-based view stipulate that in strategic management, fundamental sources and drivers of firms’ competitive advantage and superior performance relates to attributes of their resources that are valuable and costly-to-copy.

According to Porter and Millar (1985) and Porter (1980; 1985), a business develops its firm strategies to obtain and sustain its competitive advantage.

For SACCOs to play their role of financial intermediation successfully and achieve their financial performance target as envisaged in the Kenya Vision 2030, they need to be competitive amid highly turbulent and competitive financial environment. Thus, it is important for SACCO management to understand competition trends in their operational environment. Subsequently, they should manage SACCO business strategically to ensure they compete favorably, thus guaranteeing growth and survival. Porter (1980, 1985), argues that managing business strategically results to competitive advantage that
culminates to superior performance which is the core goal of any organization. Conversely firms that don’t adopt competitive strategies have minimal survival chances. Further, Porter (1980; 1985), contends that better performance can be gained in a competitive industry using generic strategies.

In SACCOs, just like any other organization, the identification of various sources of competitive advantage has become of great importance. However, application of the right strategies to yield the much needed financial performance has remained a challenge. The SACCOs have also made little efforts to comprehend results of generic strategies to competitive advantage over their competitors (Maina and Manyara, 2004). Most of these SACCOs have been using systematic approaches to understand sources of competitive advantage which have not lived their performance expectations. This has made them to result to the implementation of competitive strategies in various degrees and orientations. Furthermore, the urge to offer high quality products to members, employees and other key stakeholders have consistently made SACCOs to seek strategies that are contained in Porter’s generic strategy model (Young, 1999; Devlin, 2000). SACCO movement in Kenya has aligned itself well to provide the much demanded financial services due to their ever growing diverse membership. This study aims at evaluating strategies that are applied by SACCOs to create and sustain a competitive advantage in enhancing their financial performance.
1.2 Statement of the Problem

According to Kivuvo (2014), the cooperative movement plays an important function in socio-economic growth of world’s economies most significantly contributing to their Gross Domestic Product (GDP).

Several studies have been carried out on SACCO’s financial performance in Kenya. Wanjiru, (2015) and Mvula, (2013) studied the determinants of financial performance in SACCOs where dividend policy and membership had a positive effect while loan default had a negative effect. Others were: inadequate capital, poor asset quality, poor profitability and liquidity, non-compliance and poor governance. Equally, several studies have been carried out in Kenya on the adoption of strategies by SACCOs. Thatia and Muturi, (2014) studied the factors affecting strategic plan implementation in Kiambu County SACCOs and recommended on strategic plan training. Kimatu, (2014) found that competitive strategies have a significant and direct impact on non-financial performance of enterprises.

While previous studies carried out in Kiambu County focused on factors affecting financial and non-financial performance and implementation of strategies in SACCOs, little has been said on effect of strategies that results to competitive advantage and thus better SACCO financial performance. Therefore, this study sought to evaluate strategies applied by SACCOs to gain and sustain competitive advantages in enhancing their financial performance. More specifically, the study focused on Kiambu County SACCOs.
1.3 Objective of the Study

1.3.1 General Objectives

The main objective of the study was to evaluate the competitive strategies applied by savings and credit co-operatives in enhancing their financial performance in Kiambu County.

1.3.2 Specific Objectives

(i) To identify sustainable competitive advantage strategies employed by SACCOs over their rivals.

(ii) To determine the forces of competitive position considered by SACCOs while developing sustainable competitive advantage strategies.

(iii) To examine influence of new competitive advantage strategies adopted by SACCOs to their financial performance.

1.4 Research Questions

This study aims at answering the following research questions:

(i) What practices and strategies do SACCOs employ to influence Sustainable Competitive Advantage?

(ii) Which are the forces of competitive position considered by SACCOs while developing strategies to achieve and maintain a competitive advantage?

(iii) How does competitive advantage influence financial performance indicators of SACCOs?
1.5 Significance of the Study

The study was significant for individuals and organizations that have a great interest in establishing the relationship between Strategic planning and an organization’s competitive edge. First, the study was of great value to SACCOs operating within Kiambu County since it evaluated the strategies employed to create a competitive advantage over their rivals and thus enhancing their financial performance. Secondly, it will help SACCO’s management teams, the board of directors and other stakeholders who wanted to measure the contribution of strategic management to organizational performance. Hence, it was useful in assisting them to adopt best strategies that would lead to the achievement of organizational goals. Thirdly, it added and expanded the academic knowledge in the field of strategic planning about the performance of SACCOs thus addressing present study gaps while still suggesting areas of possible future study. Lastly, the study was of great help to Kenyan government who would work hand in hand with SACCO Regulators like SASRA to ensure enhancement of financial performance through the employment of strategies.

1.6 Scope of the Study

The study targets all SACCOs in Kenya with operations within Kiambu County. However, the selection was based on SASRA regulated SACCOs with front office Service activities (FOSA) and back office Services Activities (BOSA) only. The study was confined to the competitive strategies that these SACCOs employ to improve their financial performance.
1.7 Limitations of the Study

In carrying out this study, the researcher expected response challenges due to some contact people not willing to participate in interviews for purposes of confidentiality and information sensitivity. The researcher overcame this hurdle by explaining the intention of data collected to the respondents followed by an assurance that the information collected was only used for the intended purpose. The study also was unable to carry out a census of SACCO management staff and directors but instead used sampling method. Due to this constraint, care was taken to guarantee that the sampled respondents were true representative of the population for the purpose of arriving at reliable generalizations.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter discussed the various theories on which competitive advantage concept can be anchored and the sources of competitive advantage. It also highlighted aspects of financial performance and related them to strategies. The section also encompassed empirical review and the research gap present in the field of study.

2.2 Theoretical Review
This section forms the first section that goes into discussing the various theories that can help one understand the whole concept of competitive advantage and firm’s financial performance.

2.2.1 Porter’s Five Forces of Competitive Position Analysis

The Porter’s forces of competitive position analysis were established 1979 by Michael E. Porter of Harvard Business School as a simple structure for measuring and evaluating the competitive power and position of a firm. This theory is established on the notion that there are five forces that define the competitive strength and attractiveness of a market. The five forces of Michael Porter (1985) identifies where power lies in a business situation. This helps an organization to understand its current competitive edge and the strength of the organization’s next move.

Business strategists often uses Porter’s (1985) model in measuring potential profitability of new products and services in the market. This is consequently used to understand the strengths, possible areas of improvements and how to avoid mistakes. The five forces are:
Table 2.1: Porter’s Five Forces Model

Source: Porter (1985)

(i) Supplier power

This is an assessment of how strong the suppliers are in driving up or dictating prices. The main drivers of supplier power includes uniqueness of their products or services, number of suppliers in the market, cost of switching from one product to another and the suppliers relative size and strength.

(ii) Buyer power

This is an assessment of how strong the buyers are in determining or driving down prices. This is determined by the number of customers in the marketplace, significance of each individual purchaser to the firm; and cost to the buyer of moving from one supplier to
another. If an organization has just a few dominant buyers, they are often capable of dictating the terms.

(iii) Competitive rivalry

This is the strength of other players in the market who are likely to steer and dictate the market situation authoritatively. The main determinant is the number and competency of rivals in the market. Many competitors, offering interchangeable products and services, will reduce market attractiveness.

(iv) Threat of substitution

This happens where there are close substitute products or services in the market thus increasing the likelihood of clients switching to options in response to price escalations. This diminishes both the control of suppliers and the appeal of the market.

(v) Threat of new entry

Any market that is profitable will always attract new entrants thus eroding profitability. Unless players have strong and robust obstacles to entry their then profitability degenerates at a competitive rate.

Michael porter’s theory has been used by airlines across the world. The no-frills operators have chosen to cut prices to a minimum and pass their savings on to customers in lower prices. This aids them to grab the market segment and ensure their aircrafts are as full as possible, further driving down cost. The luxury carriers, on the other hand, concentrate their efforts on making their service as delightful as possible, and the higher prices they can command as a result make up for their higher costs. Meanwhile, smaller carriers try to create the best of their detailed knowledge of just a few routes to deliver superior or cheaper services than their larger, international competitors. This study used Porter’s
theory of competitive advantage to assess how a business organization creates a competitive niche over its counterparts in the market to ensure it remains both competitive and relevant to its clients.

2.2.2 Competitive Advantage

According to Barney (2007), a firm is said to have a competitive advantage over its rivals when it is able to generate more economic value. Economic value is measured by the difference between the full economic price of products or services and the expected benefits achieved by a consumer who buys them (Barney, 2007). He adds that a firm’s competitive advantage falls either as temporary or sustained. A temporary competitive advantage lasts for an extremely short period of time while a competitive advantage which is sustained can last longer. Sustainable competitive edge occurs when a firm acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Boundless, 2015).

One of the most renowned gurus of strategic management, Michael Porter states that an organization can remain ahead of its competitors by having power over them (Clegg et al., 2011). His main focus is on the external environment’s competitive forces using the five forces model which in turn use of the five generic strategies of sustainable competitive advantage (Porter, 1998). According to him, besides analyzing the industry, the business has to control the cost drivers/differentiation drivers in order to gain a cost advantage or a differentiation advantage. Porter also identified middle of the road as a fourth strategy that is unlikely to create a competitive advantage although adopted by some businesses.
(i) Cost leadership strategy
This is a strategy that an organization aims at being the lowest cost producer in the industry. More specifically, the organization will aim at driving the costs down for all production elements ranging from material sourcing to labour costs. A business will engage in large scale production to benefit from economies of scale. Thus, cost leadership strategy is broad scope which creates a competitive advantage.

(ii) Differentiation Strategy
Firms pursuing this strategy strives to be different in their offer to the clients and ensure that the stand out of the crowd to have a competitive advantage. Porter asserts that with a differentiation strategy the business develops products and services different from competitors and appeal to the consumers in terms of functionality, consumer support and their quality. Differentiation strategy is a broad scope strategy as the firm hopes that the strategy will appeal to a broad section of the market.

(iii) Focus (niche) Strategy
Under this strategy, business focuses its effort on one particular market segment and aims at becoming known in providing products and or services for that chosen segment. By catering for the specific needs and wants of the target market, the business forms a competitive advantage over its competitors. Once a segment market has been chosen by a business organization, Porter argues that the firm can choose either cost leadership or differentiation strategy to suit the chosen segment. A focus strategy is seen as a narrow scope strategy as the business focuses on a specific market segment.
(iv) **Stuck in the middle strategy**

Some organizations will opt to adopt all the three strategies i.e. focus, cost leadership and differentiation strategies thus, being referred to as stuck in the middle. They lack a clear business strategy thus leading to confusion and increase in running costs. They are the worst performing businesses in their industry since they cannot please all sectors yet they do not concentrate on one business line.

**Table 2.2 Porter’s generic strategies framework**

<table>
<thead>
<tr>
<th>Low Cost</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-wide (broad scope)</td>
<td>COST LEADERSHIP STRATEGY</td>
</tr>
<tr>
<td>COMPETITIVE SCOPE</td>
<td></td>
</tr>
<tr>
<td>Single Segment (Narrow Scope)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Porter (1980)*

**2.2.3 Developing Sustainable Competitive Advantages**

Lynch (2009), argues that sustainable competitive advantage comprises every aspect the organization competes in the dynamic market place through manufacturing quality and product ranges, pricing, customer value and distribution. According to Okello (2014),
analyzing all potential competitors allows a firm not only to grow a competitive advantage against them but also one that it can sustain over time. Sustainable competitive advantage requires to be deeply rooted in the firm’s resources, culture, skills and investment over time. A business will sustain its competitive advantage by performing strategic vital activities far much better than the competitors (Clegg et al., 2011).

Most of the organizations operating in a free market economy that is increasingly becoming global aim at achieving its strategic objectives on the basis of competitive advantage. Barney, (1999) states that when a company implements a value creating strategy which remains unique and invulnerable from imitation by current and future competitors, this results to a sustainable competitive advantage. While it is not easy to create a competitive advantage, an organization will ensure the following to remain ahead of the field.

(i) **Establish Brand Loyalty**

Clients will often remain with a product they have loyalty to, even though the firm does not offer the cheapest or best effective product. Focus on developing strong relationships with your consumers and delivering a great customer experience and service.

(ii) **Patent Your Product**

The true value of a patent has been a subject of debate recently. In an entrepreneur’s competitive advantage arsenal, patents are an important weapon though argued that it’s not a ‘cure all’.

(iii) **Continually Innovate**

Customers like a company with updates and upgrades. It is very essential for companies to continually keep their products fresh and compatible with the market place.
(iv) **Hire ‘Connected’ Team Members.**

Every company should not only work to establish relationships with its stakeholders but should also ensure that these relationships are well nurtured. An organization dealing with large companies and government departments will always find that their relationships and connections to fundamental persons within these organizations can fast-track their ability to secure contracts dramatically.

(v) **Use Long Term Contracts and Incentives.**

An organization that establishes a long-term contract with its customers is far less likely to lose them to their competitors. However these contracts should be carefully executed to so that it does not backfire.

The study used Michael Porter, (1980) generic strategies to ascertain the different competitive strategies that the SACCOs can adapt to be ahead of their rivals. Sustainable competitive advantage sought to enhance on the competitive strategies that a firm chooses not only to remain ahead of its rivals but to sustain that competitive edge over a period of time.

**2.2.4 Resource Based View (RBV)**

This model sees resources as key ingredient to superior organization performance. Essentially, competitive advantage emanates from the firm’s resources as opposed to the environment in which the firm operates (Okelo, 2014). The weight of the resource based view of strategy development is on the firm’s own resources that includes; physical resources, human resources and above all the ways in which these resources blend together in the organization (Lynch, 2009). These resources must exhibit VRIO attributes for them to have a sustainable competitive advantage. The VRIO framework emanated
from VRIN which meant that the resources must be: valuable, rare, expensive to imitate and not substitutable. VRIO added another element of how the organization organizes itself to exploit these resources.

Supporters of this view argue that firms should look inside the organization to find sources of competitive advantage and not at competitive environment for it. RBV recommends that it is more feasible to use existing resources to exploit external opportunities as opposed to acquisition of new skills for each different opportunity. RBV has two critical assumptions that resources should exhibit i.e. heterogeneous and immobile (Peteraf and Barney, 2003). Heterogeneous assumption holds that the capabilities, skills and other resources held by different companies differ from one company to the other, thus the need of different strategies to outcompete each other. Immobility holds that resources don’t move from one company to the other in the short-run. Thus, firms cannot replicate competitors’ resources and implement same strategies.

Resource based view (RBV) has been implemented in different organizations key among them Apple Incorporation and Samsung Electronics. Though these companies operate in the same industry and face same external forces, they employ different strategies to remain competitive in the market and achieve their financial performance. Apple sells its tablets at higher prices and thus higher profit margins. On the other hand, Samsung does not have same brand reputation thus will sell at a lower price and capitalize on sales volume. This study used RBV to assess the resources that SACCOs in Kiambu have more so on strategic plan development and how they utilize them to ensure they gain a sustainable competitive advantage that in turn translates into higher or superior firm performance.
2.2.5 CAMELS Model of Performance

The uniform financial institutions rating system (UFIRS) was implemented in 1979 in the United State of America (USA). It was later implemented globally following the USA Federal Reserve’s recommendation. Barr et al., (2002) states that capital, asset quality, management, earnings and liquidity (CAMEL) rating is a concise and essential tool for regulators and other financial examiners. According to Brockett et al., (1997) a combination of specific financial ratios are used in rating institutions in addition to examiners qualitative judgment.

(i) Capital Adequacy

Karlyn (1984) defines capital adequacy in reference to capital-deposit ratio because the main threat is depository risk resulting from sudden and significantly large amount of deposit withdrawals. For firms to continue operating in periods of low earnings or loss, capital provides a cushion to these earning fluctuations. It also provides reassurance to the members that the organization will be in existence in the foreseeable future. Likewise, capital is a free source of funds that supports growth and protects against insolvency. Capital is a critical element in risk management program of the firm. An assessment of the degree to which credit, compliance, strategic, transaction, interest rate, liquidity and reputation risks is done to assess the impact of the firms’ current capital position and in the future.

(ii) Assets

According to Grier (2007), poor asset quality is the main reason why most bank fail. The quality of assets is rated as a function of present and future conditions based on economic conditions, present practices and trends. An appropriate component rating for asset
quality is done to assess firm’s management of credit risk. The rating considers the firm’s quality and trends of all major assets which includes loans, investments and other assets that could have an adverse impact on the firm’s financial condition.

(iii) Management

Grier (2007) implies that management is perhaps considered the single most vital element in the CAMEL rating system as it plays a significant role in a firm’s success; however, it is subject to quality examination. This is the most forward looking condition indicator and a major determinant of the firm’s ability to correctly diagnose and react to financial stress. The Board of Directors and management’s ability to identify, measure, monitor and control the risks of SACCOs, ensures its safe and sound operation and compliance with applicable laws and regulations is well reflected in these rating.

(iv) Earnings

In accordance with Grier’s (2007) view, a steady profit not only creates public confidence in the firm but absorbs loan losses besides providing sufficient provisions and shareholder reward. The ability of a financial firm to earn an appropriate return on its assets which in turn ensures the institutions ability to expand, remain competitive and increase its capital is a true measure of its viability. In this rating an evaluation of past, present and future performance is of value, including performance under various economic conditions. An evaluation of the firms core earnings is done which is a long-run earnings discounting short term fluctuations in income.

(v) Liquidity

Rudolf, (2009) stresses that liquidity expresses the level to which an organization is capable of fulfilling its obligations. A sound asset liability management process
combines strategic profitability and firm’s net worth planning with risk management. Asset liability management looks into management of interest rate, risks, cash flow and liquidity with a forecast emphasis on assuring that the potential for loss is less than its capital. This model covers both interest rates and liquidity risks while still encompassing strategic and reputation risks.

(vi) Sensitivity

This was added in year 1995 by the Federal Reserve to address interest risks, sensitivity of all loans and deposits to relatively unexpected or abrupt shifts in interest rates. This forward looking approach examined various hypothetical future price and late scenarios and modeling their effects.

This study used the CAMEL model of performance as an acceptable and recommended measure of SACCO’s financial performance by SASRA. It sought to determine the extent to which these indicators were affected by different competitive strategies that SACCOs adopted.

2.3 Empirical Review

In this section the researcher sought to review the information and studies currently available concerning strategies applied by SACCOs, their contribution in enhancing SACCO’s competitive advantage. This section also reviewed the relationship between strategies and competitive advantage that forms key determinants of a firm’s financial performance.

2.3.1 Competitive Strategies in SACCOs

There are numerous studies that have been taken on the adoption of strategies by various organizations. The main goal of strategic management is to lead a firm into achieving
superior performance due to creation of competitive advantage (Clegg et al., 2011). Managers and directors of SACCOs thus have to strategize on how to strengthen SACCO’s competitive position in the long run, gain competitive edge over competitors and improve their financial performance.

In a study conducted by Konzi, (2012) on relationship between performance of manufacturing firms in Tanzania and strategic plan showed that there was a close relationship with the firm’s overall performance. However, organization culture and human resource was another key determinant. Thatia and Muturi, (2014) studied the factors affecting strategic plan implementation in Kiambu county SACCOs and recommended that training was of much importance on strategic plans besides allocating more resources towards strategic plan commitment. Kimatu, (2014) in his study on competitive strategies and non-financial performance of micro enterprises in Kenya with a bias in Kiambu County found that competitive strategies have a significant and direct impact on non-financial performance of enterprises. Whereas these studies closely related strategic plan with the SACCOs’ performance, little was mentioned on how different strategies outlined in the strategic plan impacted on the financial performance indicators of the SACCOs.

2.3.2 Competitive Financial Environment

Several scholars have done extensive research on sustainable competitive edge in different contexts. Kasyoka (2011) studied how strategic positioning is used to achieve competitive advantage at Safaricom Limited. Bogoche, (2011) researched on the sources of competitive advantage in Kenyan milk processing plants. In his work, access to working capital, research and development capabilities, low cost, quality production,
strong brand among others were the main sources of competitive advantage. In the SACCO sub-sector, Auka and Mwangi, (2013) found that SACCOs in Kenya were being faced by stiff competition due to their members moving to banks and other financial institutions to seek financial services. Further studies revealed that, though there was an increase in SACCO membership and subsequently high demand for loans, low capital base was a prevalent problem faced by SACCOs, thus causing their members to move to other financial providers seeking for financial services (Njagi, Kimani & Ngugi, 2012). Mbai, (2007) carried out an investigation on competitive strategies implemented by Mwalimu SACCO as a response to external environmental adjustments since 1997 and found that the SACCO’s national wide membership is a good source of its competitive advantage.

Other studies carried out in Kenya on SACCOs, such as Ndubi (2006) found that competitive strategies result to growth in assets, low costs of operation, improved marketing, high quality and better promotion. Despite the various studies carried on cooperatives, many SACCOs do not know how the adoption of competitive strategies can influence their financial performance or can help in creation of sustainable competitive advantage (Mburu, 2009). Thus, this study will enhance knowledge of competitive strategies that will result to better financial performance of SACCOs particularly in Kiambu County.

2.3.3 Financial Performance of SACCOs

Parast and Fini (2010) point out that in the quest for better financial performance and profitability, firms are adopting strategies to achieve these goals. As competition becomes stiffer due to changes in the structure of the industry and the evolution of new
technologies, firms are determined to cut their operational expenses while enhancing their profitability. Likewise, financial performance of SACCOs can also be looked at in light of their general profitability and payback on investment. According to Herrmann (2008), when analyzing an organization’s profitability, we are concerned with evaluating an organization’s income with respect to a given magnitude of share value, sales, owners’ investment or assets. Performance of SACCOs can be used as a good indicator of effects of generic competitive strategies suggested by Michael Porter.

2.3.4 Competitive Advantage Strategies and Organization Performance

According to Ma (1999), competitive advantage is a basis for superior organizations performance. It is thus very important to understand the anatomy of competitive advantage to general managers who have ultimate responsibility of ensuring that a firm not only survives but remains competitive in the market. Firms that are seen to enjoy cost based competitive advantage over their competitors have equally exhibited comparatively enhanced performance (Morgan et al., 2004). Competitive performance is two different constructs and their relationship is considered complex (Ma, 2000). Fahy (2000) argues that the achievement of a sustainable competitive advantage is expected to lead to better organizational performance, conventionally measured in terms of market share and profitability.

Wiklund and Shepherd, (2003) who conducted a study on significant relationship between performance, resources and entrepreneurial orientation argued that organization’s performance should be centered and measured on a broader dimension, namely organizational and procedural knowledge; risk-taking, innovativeness, net profit, pro-activeness, sales growth, cash flow, product and process innovation, product and
service quality and variety, and customer satisfaction. Bowen and Ostroff, (2004) studied the significant relationship between human resource management structure, organization’s performance and work climate using measurements such as: perceptions, utilization, employee attributes, participation and rating. Their study found out that there is a significant relationship in such that the strength of the Human Resource Management (HRM) system can help illustrate how individual employee attributes accumulate to affect organizational effectiveness and organization’s performance. By extension, it is evident that there is a complex but positive relationship between a firm’s competitive advantage and its financial performance.

2.4 Summary of Literature and Research Gaps

From the foregoing studies, it is evident that the concepts related to competitive advantages have in the recent past occupied a center stage in today’s business administration. Porter Michael has made significant contributions in this field of competitive strategy theories. Other scholars such as Wernerfelt, (Resource-based View) and Barney (Intellectual Capital Realization Process) have also added into the field by providing alternative lenses through which competitive strategies can be viewed. Strategy has been closely related to an organization’s competitive edge which in turn results to its superior performance (Fahy 2000). Firm’s Performance was best measured using indicators from CAMELS to evaluate possible relationships with strategies employed. The study used Porters Five Forces of Competitive Position to analyze important factors to be considered when SACCOs wants to gain and sustain a competitive edge against its rivals. It also incorporated Resource Based View to evaluate how the firm’s own resources blend together to create a sustainable competitive
advantage. The empirical review of previous studies provided compact ground for anchoring the study while still identifying the research gaps. Therefore, the researcher intended to collect primary data from the field and compare the findings with the above mentioned secondary data to draw conclusions.

From the empirical and theoretical literature reviewed, it is clear that factors affecting the performance of SACCOs are complex and purely dependent on the working environment of the SACCO. While previous studies carried out in Kiambu County focused on factors affecting financial performance and implementation of strategies in SACCOs, little has been said on effect of strategies that results to competitive advantage and thus better SACCO financial performance. Amid cut-throat competition from financial institutions and intermediaries in Kiambu County, SACCOs are finding it hard to keep up with the dynamic pace set by banks and other financial institutions. According to Gathurithu, (2011) though SACCOs were formed long time ago and offer same products like other financial institutions; their performance is not something to be proud of. This study aimed at bridging the gap that exists between choices of strategies that SACCOs employs which results in creation of a competitive advantage and thus a superior financial performance.

2.5 Conceptual Framework

The conceptual framework integrates together competitive strategies and market forces as major variables affecting components of financial performance.
Figure 2.1: Conceptual Framework

Mediating Variables

**Forces of Competitive Position**
- Threat of new entrants
- Supplier bargaining power
- Buyers bargaining power
- Threat of substitute products and services
- Rivalry among Existing firms (SACCOs)

**Independent variable**

**Strategies**
- Cost leadership
- Differentiation
- Focus
- Stuck in the middle

**Dependent variable**

**Financial Performance**
- Capital Adequacy
- Assets
- Management
- Earnings
- Liquidity
- Sensitivity

Source: Author (2016)

This conceptual framework illustrated in figure 2.1 above indicates strategies as independent variable, forces of competitive position as intercepting variable, while financial performance of SACCOs is the dependent variable. The framework shows the impact of adoption of strategies on SACCO’s financial performance. This relationship is intercepted by competitive forces in the market that can enhance or weaken the link. The interdependence between strategic application and financial performance of SACCOs is illustrated.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter outlines the methods that were used in the research study and the review of tools and techniques used to achieve the goals and objectives of the study. It describes data collection methods for the study and research design, the area of study, study population, data collection methods, sampling design and data analysis and ethical considerations.

3.2 Research Design
The study adopted a causal and descriptive survey research designs. A descriptive survey research sought to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behaviour or values (Saunders et al., 2007). These designs were considered appropriate for this study as it described the state of affairs as existed without manipulation of variables. Causal research was adopted to evaluate the statistical association between the two variables; financial performance and competitive strategies. Descriptive research portrays a truthful profile of people, situations or events (Robson, 2002). The research area was based on 20 Wards of the County which was randomly selected from the 60 Wards available in Kiambu County. However, the selection also considered the preference of SACCOs in the wards selected.

3.3 Target Population
The target population for the quantitative data was SACCO members of staff and stakeholders in Kiambu County who were in one way or another involved in implementation of organizational strategic plan that include; top management authority
including the Board of Directors, top senior management, managers and employees. Kiambu County has 16 SACCOs that are registered and regulated by SACCO Society Regulatory Authority (SASRA) as shown in the table 3.1 below.

**Table 3.1 Distribution of SACCOs Headquartered in Kiambu County**

<table>
<thead>
<tr>
<th>Sub-County with SACCOs</th>
<th>Sacco’s Name</th>
</tr>
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<tbody>
<tr>
<td>1. Githunguri</td>
<td>1. Tai SACCO</td>
</tr>
<tr>
<td></td>
<td>2. Githunguri Dairy and Community SACCO</td>
</tr>
<tr>
<td></td>
<td>3. Fariji SACCO</td>
</tr>
<tr>
<td>2. Lari</td>
<td>1. Good Faith SACCO</td>
</tr>
<tr>
<td>3. Thika</td>
<td>1. Kenya Canners SACCO</td>
</tr>
<tr>
<td></td>
<td>2. Orient SACCO</td>
</tr>
<tr>
<td></td>
<td>3. All Churches SACCO</td>
</tr>
<tr>
<td>4. Kiambu</td>
<td>1. Metropolitan Teachers SACCO</td>
</tr>
<tr>
<td></td>
<td>2. K-Unity SACCO</td>
</tr>
<tr>
<td></td>
<td>3. Dimkes SACCO</td>
</tr>
<tr>
<td>5. Kiambaa</td>
<td>1. Banana Hill SACCO</td>
</tr>
<tr>
<td></td>
<td>2. Joinas SACCO</td>
</tr>
<tr>
<td></td>
<td>3. Bahimas SACCO</td>
</tr>
<tr>
<td>6. Ruiru</td>
<td>1. Jacaranda SACCO</td>
</tr>
<tr>
<td>7. Juja</td>
<td>1. Fundilima SACCO</td>
</tr>
<tr>
<td>8. Kikuyu</td>
<td>1. NRS SACCO</td>
</tr>
</tbody>
</table>

*Source: Author (2016)*
These SACCOs are spread across all the 12 Sub-Counties in Kiambu County and operate both back office (BOSA) and front office (FOSA) services. It’s from this number of SACCOs that the researcher drew the target population as shown in the table 3.2 below.

Table 3.2 Distribution of Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population Per SACCO/Branch</th>
<th>SACCOs Registered in Kiambu County</th>
<th>Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td>9</td>
<td>16</td>
<td>144</td>
</tr>
<tr>
<td>Senior Management</td>
<td>8</td>
<td>16</td>
<td>128</td>
</tr>
<tr>
<td>Mid-level Managers</td>
<td>2</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Other Employees</td>
<td>6</td>
<td>16</td>
<td>96</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>25</strong></td>
<td><strong>16</strong></td>
<td><strong>400</strong></td>
</tr>
</tbody>
</table>

Source: SASRA and County Cooperative Office (2016)

From the table 3.2 it indicated that the target population of the research study was 400. This was drawn from the registered 16 SACCOs in Kiambu County each having an 9 board of directors, 8 senior management staff 2 middle level branch managers and 6 other SACCO branch operational staff.

3.4 Sampling Techniques and Sample size

3.4.1 Sampling Technique

Cluster sampling technique was employed for the survey. The cluster sampling technique involves the dividing of the population into clusters or groups and then drawing samples
randomly from each group to interview (Kumar, 2005). This was necessary so as to ensure that each group is represented in the entire sample, which was selected for the study; in proportion to their numbers in the entire targeted population. The sampling units were SACCOs in Kiambu County. Each selected SACCO formed a cluster from which the sample was drawn where the researcher selected 5 respondents from the Population.

3.4.2 Sampling Size Determination

Kothari (2004), states that 20% of accessible population is adequate enough to undertake a study in social research. Report from SACCO Society Regulatory Authority (SASRA) and Sub-Counties Cooperatives offices showed the total number of SACCOs under study were 16 evenly distributed across all the 12 Sub-Counties in Kiambu County. Selection of the sample size was 20% of the population of 400 in each of the 4 respondents categories drawn from the 16 SACCOs spread across Kiambu County. Therefore, the study sample size was 80 respondents as shown in the Table 3.3.

Table 3.3 Distribution of Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Percentage of Population (%)</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td>144</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>Senior Management</td>
<td>128</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>Mid-level Managers</td>
<td>32</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Other Employees</td>
<td>96</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>400</strong></td>
<td><strong>20</strong></td>
<td><strong>80</strong></td>
</tr>
</tbody>
</table>

Source: Author (2016)
3.5 Data Collection Instruments and Procedures

Research instruments are the tools or means a researcher uses to collect primary data. The main research instrument for this study was the questionnaire. Both open-ended and close-ended questions were used in structuring the questionnaire. There are advantages accruing from the use of questionnaires that the researcher capitalized on. These included the fact that feedback was received directly from the respondents and it was relatively quick method of collecting data (Mitchell, 2004). The questionnaire was administered on the basis of “drop and pick later” to give the respondent’s ample time to fill it in. This was where the researcher left questionnaire with the respondent to give them ample time to respond to the questions and later picked them considering the agreed time and the work plan for the study. The research also conducted interview sessions where questions were read and interpreted to the respondents who sought clarification. This process necessitated the researcher to collect the primary data.

Secondary data was collected from Kiambu County Co-operative office SACCO records, SASRA documentations and other Government organization records. Data collection method employed was qualitative. Different interview schedules were used to guide the interview and or during the questionnaire filling.

3.6 Reliability and Validity of Research Instruments

3.6.1 Reliability Research Instruments

Reliability examines the extent to which a research instrument achieves consistent outcome after repeated trials (Mugenda & Mugenda, 2007). The reliability of the research
instruments were estimated using Cronbach’s Alpha Coefficient which is a measure of internal coefficient. A reliability of at least 0.70 at p=0.05 significance level of confidence was acceptable and the study assumed such reliability (Gable & Wolf 1993). To test for reliability of the study the researcher used the test-retest reliability method where the questionnaires were administered to few chosen respondents twice over a period of time and the results were correlated.

3.6.2 Validity of Research Instruments

Validity states or specifies the magnitude to which a statistical instrument measures what it is supposed and intended to measure with the accuracy, soundness and efficiency (Orodho, 2005) or the degree to which results obtained from the analysis of the data actually represent the phenomena under study (Mugenda & Mugenda, 2007). The researcher ensured instrument validity by having objective questions included in the questionnaire. The mode of validity testing employed in the study was sampling validity where questionnaires were sampled over a broad range of sample. Input of supervisors from the school of business was also sought. This ensured that the content addressed the intended responses and concept of the study.

3.7. Data Analysis and Presentation

Data analysis is necessary because it summarizes the data into information and reveals important and meaningful relationships contained in data (Alreck, 2004). For qualitative data, the transcribed field notes were coded to form categories of constructs in line with Mitchell et al., (2004). Responses were categorized using constructs that constituted the research questions. The data was quantitatively analyzed using Statistical Package for
the Social Sciences (SPSS) and Microsoft Excel; the results presented descriptively by
the use of tables and figures (bar charts). Statistical analysis was conducted using Pearson
correlation coefficient at a 0.05 level of significant to test whether the variables have
linear relationship. In the study, the research also checked whether there was linear
relationship between financial performance and competitive strategies employed by
SACCOs.

3.8. Ethical Considerations
The research addressed the following research ethics: voluntary and informed consent,
confidentiality, privacy and plagiarism. Before the administration of the questionnaire,
the researcher sought permission to conduct the study through an introductory letter from
the university. Respondent’s consent was also sought through an informed consent note
which clarified that participation was to be voluntary. No photographs or audio recording
were taken. This served as necessary information that helped the respondents decide to
participate in the study.
CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter addressed the results and the interpretation relating to the sample characteristics of the survey respondents. The analysis was guided by the research objectives and the statistics were generated with the aim of generating responses from the research questions. The presentation was guided by the following research objectives:

4.2 Demographic Characteristics

The study was done in Kiambu County and all the respondents were drawn from the sixteen (16) SACCOs registered and spread across the twelve (12) Kiambu Sub-Counties which are regulated by SACCO Society Regulatory Authority (SASRA and operate both back office (BOSA) and front office (FOSA) services. The demographic characteristics of the respondents were as analyzed below:

4.2.1 Gender of Respondents

The figure 4.1 below shows the respondents gender distribution.

Figure 4.1: Distribution of the Gender of Respondents

![Pie chart showing gender distribution]

Source: Primary Research Data (2017)
Results indicated that the larger proportion of the respondents were males constituting 54% (43) compared to their female counterparts who formed 46% (37) of the sample. This indicates generally that more males are involved in development and implementation of SACCOs’ strategic plans than their female counterparts.

4.2.2 Age of Respondents

The table 4.1 below shows the age distribution of the respondents.

**Table 4.1 Distribution of Age of the Respondents**

<table>
<thead>
<tr>
<th>Age brackets</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30 Years</td>
<td>13</td>
<td>16.3</td>
</tr>
<tr>
<td>31-40 Years</td>
<td>17</td>
<td>21.3</td>
</tr>
<tr>
<td>41-50 Years</td>
<td>22</td>
<td>27.5</td>
</tr>
<tr>
<td>51-60 years</td>
<td>13</td>
<td>16.3</td>
</tr>
<tr>
<td>61 Years and above</td>
<td>15</td>
<td>18.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Research Data (2017)*

Results showed that the larger proportion of the respondents were in the age bracket of 41-50 years forming 27.5% (22). Next on the line was the age bracket 31-40 forming 21.3% followed by 61 years and above which constituted 18.8% and the lowest age brackets of the respondents were 21-30 and 51-60 forming 16.3% (13) each. SACCO
staffs are distributed in the ages between 31-50 years while directors are between 41 years and above.

4.2.3 Occupation/Position of Respondents in the SACCOs

The figure 4.2 below shows the respondents position in their SACCO.

**Figure 4.2: Distribution of the Occupation of Respondents**

- **Senior Management**: 20% (34)
- **Board or Executive members**: 24% (19)
- **Middle Level Management**: 42% (71)
- **Other Staff/ Employees**: 14% (24)

*Source: Primary Research data (2017)*

The highest number of the respondents were drawn from middle level management 42% (34), followed by board or executive members 24% (19). Respondents in the senior management level and other staff members contributed to 20% (16) and 14% (11) respectively. The data indicated that middle level management, the Board or the Executive and senior management have bigger role in strategic development and implementation with other staff/employees trailing behind.
4.2.4 Education Level of Respondents in the SACCOs

The figure 4.3 below shows the education level of the respondents.

**Figure 4.3: Distribution of the Education Level of Respondents**

Source: Primary Research Data (2017)

Out of the 80 respondents, the highest number 35 (44%) had a bachelor’s degree, followed by diploma or less holders 30 (38%) and the least being holders of Masters level 15 (19%). This means that the population sample was made up of well learned and experienced respondents who had a degree and above constituting 50 respondents. Strategic development and implementation of the SACCOs were handled by elite members of staff and executive/board.

4.2.5 Existence Period of the SACCO

The table 4.2 below shows the period of SACCOs’ existence.
Table 4.2 Distribution of SACCO Existence of the Respondents

<table>
<thead>
<tr>
<th>Period of Existence</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10 Years</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>11-20 Years</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>21-30 Years</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)

Majority 54% (43) of the respondents were drawn from SACCOs who were in operation for between 11 and 20 years. Respondents who are from SACCOs that existed between 21 and 30 years made 32%, while younger SACCOs of between 1 and 10 years contributed to 14% (11).

4.2.6 Number of Employees

The figure 4.4 below illustrates the number of employees in the SACCO.

Figure 4.4 Distribution of Number of Employees of the Respondents SACCOs

Source: Primary Research Data (2017)
The researcher sought to establish the number of employees that the SACCOs had and found that most of them 24 (30%) have 40 employees and more. However, it was noted that some of the SACCOs 21 (26.3%) had employees below the range of 10 due to the small branch network. The number of employees in the SACCO was a factor of the customers served and the stage of growth the SACCO was in.

4.2.7 Average Number of Shareholders per Branch

The table 4.3 indicates the average number of shareholders per branch.

Table 4.3 Average Number of Shareholders per Branch

<table>
<thead>
<tr>
<th>Range of Membership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>501-1000 Members</td>
<td>5</td>
<td>6.3</td>
</tr>
<tr>
<td>1001-2500 Members</td>
<td>11</td>
<td>13.8</td>
</tr>
<tr>
<td>2501-5000 Members</td>
<td>11</td>
<td>13.8</td>
</tr>
<tr>
<td>5000-10000 Members</td>
<td>24</td>
<td>30.0</td>
</tr>
<tr>
<td>10000 and Above</td>
<td>29</td>
<td>36.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Research Data (2017)*

The researcher sought to establish the number of shareholders that the SACCOs had per branch and found that most of the SACCOs served 10,000 members and above 36.3% (29) with a few serving 501 to 1,000 members 6.3% (5). A bigger number of respondents were in SACCOs that served between 5,000-10,000 members 30% (24), with SACCOs serving between 1001-2500 members and 2501-2500 having a tie at 13.8% (11).
4.3 Competitive Advantage Strategies Employed by SACCOs

The study sought to evaluate strategies that SACCOs in Kiambu County apply to gain and sustain a competitive advantage that results to enhanced financial performance. Further, the researcher sought to identify the relationship between application of competitive strategies in SACCOs, and the resulting financial performance in Kiambu County.

4.3.1 SACCOs’ Established Ways of Competing With Others

The table 4.4 illustrates the SACCOs’ existence of competitive strategies against its rivals.

**Table 4.4 SACCOs having Established Ways of Competing with Others**

<table>
<thead>
<tr>
<th>Competing ways</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)

The study showed that every SACCO in Kiambu County has a defined way of competing with others. As depicted in the tables 4.4 above, all the 80 respondents were drawn from SACCOs who had established ways of competing with their counterparts in their area of operation.

4.3.2 SACCOs’ Having a Documented Strategic Plan

The table 4.5 shows existence of a strategic plan in the SACCO
Table 4.5 Documented Strategic Plan

<table>
<thead>
<tr>
<th>Strategic Plan</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)

The results of the study showed that all the respondent’s SACCOs had a documented Strategic plan.

4.3.3 SACCOs’ Development of a Strategic Plan

The Figure 4.5 below illustrates the method used by SACCOs in coming up with their strategic plans.

Figure 4.5 Development of Strategic Plan

Source: Primary Research Data (2017)
Research study indicated that majority of the SACCOs 64 (80%) involves both internal and external stakeholders when coming up with Strategic Plan. Internal stakeholders were majorly from the employees and other stakeholders that help run major activities of the Sacco such as customers, and directors. Externally is through consultants. Other SACCOs 16 (20%) used external consultants. The study further revealed that no Sacco developed a strategic plan by only using internal stakeholders only.

4.3.4 Duration that Strategic Plan Operates

The figure 4.5 below shows duration in which the SACCOs’ strategic plans operate.

Figure 4.6 Distribution of Duration that Strategic Plan Operates

[Pie chart showing 5 years (94%) and 3 years (6%)]

Source: Primary Research Data (2017)

The figure illustrates that 75 (94%) of the SACCOs had a strategic plan that runs for a period of 5 years, this indicates that most SACCOs position their targets achievements in 5 years giving itself time to operationalize its strategies. 5 (6.3%) of the SACCOs had a Strategic Plan spanning of three years. From the results, it was noted that no Sacco that operated in a span of 2 years and 4 years.
4.3.5 Consideration of Market Forces in Strategic Plan Formulation

The figure 4.7 below shows the extent to which SACCOs consider market forces in the formulation of their strategic plans.

**Figure 4.7 Market Force Consideration in Formulation of Strategic Plan**

![Market Force Consideration in Formulation of Strategic Plan](image)

Source: Primary Research Data (2017)

Research results indicated that 48% of the respondents agree that considering market forces in formulation of strategic plan influence sustainable competitive advantage of the SACCOs, while 36% of the respondents strongly agree. 16% of the respondents did not have an affirmative nor a negative view on market force consideration in formulation of Strategic plan.

4.3.6 Incorporation of Competitive Strategies in SACCOs Strategic Plan

The figure 4.8 below shows the incorporation of competitive strategies in the overall SACCO strategic plan
Figure 4.8 Distubution of Extent to Which Strategic Plan of the Organization Incorporate Use of Competitive Strategies as a Way of Gaining Competitive Advantage

Source: Primary Research Data (2017)

Results from the study indicates that 38 (47.5%) agreed with extents of fairly high and 21 (26.3%) of both very high and average respectively to SACCOs’ incorporation of the use of competitive strategies as ways of gaining competitive advantage.

4.3.7 Review of Strategic Plan

Figure 4.9 illustrates the period taken by the SACCOs before reviewing their strategic plans.
From the research study, most of the respondent’s SACCOs 44 (55%) review their strategic plan quarterly, 18 (23%) annually and 12 (15%) semiannually. Very few SACCOs, 6 (7%) reviewed their strategic plans on monthly basis. This meant that most SACCOs allow ample time for operationalization of strategic plan before review is conducted.

4.4 Analysis of the Influence of Strategies Applied By SACCOs to Attain a Competitive Advantage over their Competitors

The figure 4.10 below shows influence of strategies employed by the SACCO in attaining the competitive advantage over their rivals.
From the figure 4.10 and table 4.6, 86% of the respondents indicated that the strategies applied by SACCOs influenced their competitive advantage over their competitors while 14% of the respondents were of a contrary opinion. This depicted that cumulatively, there was favour of strategies applied by SACCOs as a way of creating a competitive advantage over its rivals.
Table 4.6 Influences of Strategies Applied by SACCOs to Attain a Competitive Advantage over their Competitors

<table>
<thead>
<tr>
<th>Competitive Strategies</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Adoption of low cost of doing business</td>
<td>6 (7.5%)</td>
<td>6 (7.5%)</td>
<td>52 (65%)</td>
<td>16 (20%)</td>
</tr>
<tr>
<td>b. Development of unique products and services different from other competitors to appeal clients.</td>
<td>6 (7.5%)</td>
<td>6 (7.5%)</td>
<td>37 (46.3%)</td>
<td>31 (38.8%)</td>
</tr>
<tr>
<td>c. Development of specialized product(s) and/or service(s) to suite a particular target market segment</td>
<td>0 (0%)</td>
<td>10 (12.5%)</td>
<td>50 (62.5%)</td>
<td>20 (25%)</td>
</tr>
<tr>
<td>d. Application of all the above strategies i.e. a, b and c above</td>
<td>0 (0%)</td>
<td>11 (13.8%)</td>
<td>38 (47.5%)</td>
<td>31 (38.8%)</td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)

From the table 4.6 on adoption of low cost of doing business 68 (85%) of the respondents were in agreement while 12 (15%) disagreed. Of the 85%, 20% (16) strongly agreed while 65% (52) agreed that adoption of low cost of doing business had an influence in competitive advantage over other SACCOs while 7.5 % ( 6) disagreed and 7.5 % ( 6) strongly disagreed. 46.3 % (37)
and 38.8 % (6) agreed and strongly agreed respectively that development of unique products and services different from other competitors to appeal clients had an influence in gaining a competitive edge. However, there was a tie of 6 (7.5%) respondents each who disagreed and strongly disagreed to the view. The study further established that 62.5% (50) agreed and 25% (20) of the respondents strongly agreed that development of specialized product(s) and/or service(s) to suit a particular target market segment influence competitive position of their SACCOs. However, 12.5% (10) disagreed. The Table further indicates that 47.5% (38) and 38.8% (31) respectively agreed and strongly agreed that application of low cost of doing business, development of unique products/services different from competitors and product specialization to suite a target market influence competitiveness of a SACCO by having an edge above all its competitors. 13.8% (11) disagreed to the application of the fore mentioned strategies in gaining a competitive edge.

4.5 Analysis of Forces of Competitive Position Considered in Developing Strategies in SACCOs

To identify the extent to which forces of competitive position influence the development of strategies in SACCOs, the variables were studied and the results presented in the table 4.7 below. From the table, 91.25% (73) of the respondents’ SACCOs consider new SACCO entrants as a powerful force when developing competitive strategies. Of the 91.25%, 53.75% (43) strongly agreed while 37.5% (30) agreed to the influence of new entrants in the market. On the other hand, 6.25% (5) disagreed while 2.5% (2) strongly disagreed to this view.
56.25% (45) strongly agreed while 26.25% (21) agreed that bargaining power of customers was an important force to be considered when developing competitive strategies. 12.25% (10) disagreed while 5% (4) strongly disagreed that considering bargaining power of the customers was important in strategy development.

From the table 4.7, 28 (35%) respondents agreed that considering the force and level of rivalry among existing SACCOs was of great importance while developing competitive strategies. 25 (31.25%) strongly agreed, 16 (20%) disagreed while 11 (13.75%) respondents strongly disagreed. Threat of substitute products and services offered by other SACCOs was also an influence in competitive strategy development with 60% (48) in agreement, 11.25% (9) strongly agreeing while on the other hand, 13.75% (11) disagreed and 15% (12) strongly disagreeing with the influence of substitute products and services in strategy development.

From the research findings, the force of supplier’s bargaining power was considered with 36 (45%) respondents being in agreement and 28 (35%) strongly agreeing. 16 respondents were of contrary opinion with 5 (6.25%) disagreeing while 11 (13.75%) strongly disagreed that bargaining power of suppliers was of any importance in strategy development. The relationship has been affirmed by Michael Porter’s 1979 forces of competitive position that define the competitive strength and attractiveness of a market. The relationship is further strengthened by the generic strategies of sustainable competitive advantage where a business has to either control a cost driver or a differential driver in order to stay ahead of its rivals (Porter, 1998).
Table 4.7 Competitive Position Forces Considered In Strategy Development

<table>
<thead>
<tr>
<th>Competitive Forces</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Threats of new SACCO entrants</td>
<td>2 (2.5%)</td>
<td>5 (6.25%)</td>
<td>30 (37.5%)</td>
<td>43 (53.75%)</td>
</tr>
<tr>
<td>b) Bargaining powers of SACCO customers</td>
<td>4 (5%)</td>
<td>10 (12.5%)</td>
<td>21 (26.25%)</td>
<td>45 (56.25%)</td>
</tr>
<tr>
<td>c) Rivalry among existing SACCOs</td>
<td>11 (13.75%)</td>
<td>16 (20%)</td>
<td>28 (35%)</td>
<td>25 (31.25%)</td>
</tr>
<tr>
<td>d) Threat of Substitute Products and Services from other SACCOs</td>
<td>12 (15%)</td>
<td>11 (13.75%)</td>
<td>48 (60%)</td>
<td>9 (11.25%)</td>
</tr>
<tr>
<td>e) Bargaining power of supplier customers</td>
<td>11 (13.75%)</td>
<td>5 (6.25%)</td>
<td>36 (45%)</td>
<td>28 (35%)</td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)

4.6 Analysis of Influence that Competitive Advantage Strategies Have in SACCOs’ Development of Sustainable Competitive Advantage

To establish the Influence that Competitive Advantage Strategies have in SACCOs’ Development of a Sustainable Competitive Advantage, five variables were studied and the results obtained tabulated as shown by table 4.8 below.
Table 4.8 Analysis of Influence That Competitive Advantage Strategies Have on Development of SACCOs Sustainable Competitive Advantage

<table>
<thead>
<tr>
<th>Sustainable Competitive Advantage</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Establishing a product or organizational brand that the clients will always remain loyal to.</td>
<td>7 (8.8%)</td>
<td>24 (30%)</td>
<td>41 (51.3%)</td>
<td>8 (8%)</td>
</tr>
<tr>
<td>b) Establishment of exclusive rights on products and/or services offered by your SACCO. (product patents)</td>
<td>19 (23.8%)</td>
<td>14 (17.5%)</td>
<td>35 (43.8%)</td>
<td>12 (15.0%)</td>
</tr>
<tr>
<td>c) Through continuous upgrades and updates of systems, innovative products and/or services offered by your SACCO.</td>
<td>3 (3.8%)</td>
<td>8 (10.0%)</td>
<td>43 (53.8%)</td>
<td>26 (32.5%)</td>
</tr>
<tr>
<td>d) Ensuring mutual relationship with all key stakeholders of the SACCO.</td>
<td>6 (7.5%)</td>
<td>0 (0%)</td>
<td>34 (42.5%)</td>
<td>40 (50%)</td>
</tr>
<tr>
<td>e) Establishment of a well-executed long-term contract with the SACCO Members.</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>26 (32.5%)</td>
<td>56 (67.5%)</td>
</tr>
</tbody>
</table>

Source: Primary Research Data (2017)
The study established that 51.3% (41) of the respondents agreed, while 8% (8) respondents strongly agree that SACCOs will develop a sustainable competitive edge over their rivals when their members remain loyal to the products/services that they offer. 24 (30%) of the respondents disagreed while 7 (8.8%) strongly disagreed with product loyalty as a result of a sustainable competitive advantage.

From the table 4.8 above, the study further indicated that 43.8% (35) and 15% (12) of the respondents agreed and strongly agreed respectively that establishing products/services patents and exclusive rights resulted to creation of a sustainable competitive advantage. 23.8% (19) strongly disagreed while 17.5% (14) of the respondents dis-agreed that product patenting yields sustainable competitive advantage. Results from the study further indicate that a total of 69 (86.3%) respondents answered affirmatively to continuous innovation and SACCOs’ system upgrades as a sure way of gaining a sustainable competitive advantage. Of the 86.3%, 53.8% (43) agreed while 32.5% (26) strongly agreed. However, 11 (13.8%) of the respondents were of a contrary view with 8 (10.0%) disagreeing while 3 (3.8%) strongly disagreeing with that view.

From the table 4.8, 50% (40) strongly agreed while 42.5% (34) agreed that SACCOs’ nurturing excellent relationship with all its stakeholders was a sure way of gaining a sustainable competitive advantage over its rivals. 6 (7.5%) of the respondents however strongly disagreed with relationships among SACCO stakeholders being a way of gaining sustainable competitive advantage. 67.5% (56) of the respondents strongly agreed that establishment of a well-executed long-term contracts with the SACCO Members and incentives had a high influence on sustainable competitive advantage. (32.5%) 26 respondents also agreed to the fore mentioned strategy in yielding a sustainable
competitive advantage. This finding was consistent with Kasyoka (2011) who affirmed that a firm’s strategic position is used to achieve competitive advantage over its peers. The same view was affirmed by Porter and Millar (1985) and Porter (1980, 1985) that a business develops firm strategies to obtain and sustain its competitive advantage.

4.7 Analysis of Extent to Which the Following SACCO’s Financial Indicators Are Influenced by Strategies Related to Competitive Advantage

To establish the extent to which SACCOs financial indicators are affected by competitive advantage strategies, the six financial performance variables were tested against competitive strategies and results presented in the figure 4.9 below.

From the table 4.9, 72.6% (58) of the respondents answered affirmatively to the influence of competitive strategies applied, to SACCOs’ capital adequacy. Of the 72.6%, 39 (48.8) strongly agreed that employment of competitive strategies by a SACCO will ensure it has enough capital for growth and protection against insolvency. 10% (8) of the respondents strongly disagreed, while 17.5% neither affirmed or opposed the capital adequacy view. The study further indicated that 32 (40%) of the respondents tied in both agreeing and strongly agreeing that the quality of SACCOs assets: both loans and investments being influenced by competitive advantage strategies employed. 8 (10%) of the respondents also tied in their strongly disagreeing and neutral views.

The table further deduced that 45% (36) and 25% (20) agreed and strongly agreed respectively to the influence of Competitive advantage strategies on SACCO’s Board of Directors, and management staff that are competent in running and safe guarding member interests while adhering to applicable laws and regulations. 3 (3.8%) strongly disagreed, 8 (10%) disagreed and 13 (16.3%) were undecided on the influence of strategies in
choosing or employing competent directors and members of staff. The study also established that 37 (46.3%) agreed while 30 (37.5%) of the respondents strongly agreed that competitive strategies had an influence in maintaining adequate liquidity levels of the SACCOs. 10 (12.5%) of the respondents neither affirmed nor disagreed to the view while 3 (3.8%) strongly disagreed that competitive advantage strategies influence maintenance of a good balance between member savings, loan disbursements and investments to ensure adequate liquidity levels.

From the table 4.9, It is clear that 38.8% (31), 32.5% (26), strongly agreed and agreed respectively that competitive strategies employed by SACCOs influence their sensitivity and preparedness to unexpected/ abrupt shifts in economic changes. 13.8% (11), 11.3% (9) disagreed and strongly disagreed respectively to SACCOs’ sensitivity to economic changes as being influenced by the strategies that they employ while 3.8% (3) were undecided/neutral on the issue. Finally, the research indicated that 33.8% (27) of the respondents strongly agreed while 30% (24) agreed that competitive strategies employed by a SACCO influence the SACCO’s ability to exhibit Signs of growth where members are well satisfied enjoy tailor-made products and have confidence with the SACCO’s financial strength. However, 7.5% (6) respondents tied in disagreeing and strongly disagreeing with that view while 21.3% (17) of the respondents neither agreed nor disagreed. The findings are consistent with Clegg et al., (2011) and Konzi, (2012), who affirmed, a firm’s financial performance is directly affected by the competitive strategies that they adopt. Kimatu, (2014) also added that competitive strategies have a significant and direct impact on non-financial performance of enterprises.
Table 4.9 Analysis of Extent to Which the Following SACCO’s Financial Indicators are Influenced by Strategies Related to Competitive Advantage

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Adequate capital</td>
<td>8 (10%)</td>
<td>0 (0%)</td>
<td>14 (17.5%)</td>
<td>19 (23.8%)</td>
<td>39 (48.8%)</td>
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<tr>
<td>for growth and</td>
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<td>protection against</td>
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<td>insolvency.</td>
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<td>b) High Quality SACCO</td>
<td>8 (10%)</td>
<td>0 (0%)</td>
<td>8 (10%)</td>
<td>32 (40%)</td>
<td>32 (40%)</td>
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<tr>
<td>Assets</td>
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<td>c) Competent SACCO</td>
<td>3 (3.8%)</td>
<td>8 (10%)</td>
<td>13 (16.3%)</td>
<td>20 (25%)</td>
<td>36 (45%)</td>
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<td>Board of Directors,</td>
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<td>and management staff</td>
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<td>d) The SACCO’s ability</td>
<td>3 (3.8%)</td>
<td>0 (0%)</td>
<td>10 (12.5%)</td>
<td>37 (46.3%)</td>
<td>30 (37.5%)</td>
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<td>to ensure adequate</td>
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<td>liquidity.</td>
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<tr>
<td>e) The SACCO’s ability</td>
<td>9 (11.3%)</td>
<td>11 (13.8%)</td>
<td>3 (3.8%)</td>
<td>26 (32.5%)</td>
<td>31 (38.8%)</td>
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<td>to handle shifts in</td>
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<td>economic changes.</td>
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<tr>
<td>f) The SACCO’s ability</td>
<td>6 (7.5%)</td>
<td>6 (7.5%)</td>
<td>17 (21.3%)</td>
<td>24 (30%)</td>
<td>27 (33.8%)</td>
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<td>to exhibit Signs of</td>
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<td>growth and maintain</td>
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<td>member’s confidence.</td>
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</table>

Source: Primary Research Data (2017)
4.8 Statistical Analysis

The researcher conducted a Pearson’s correlation coefficient analysis so as to establish if there exists any linear relationship between financial performance and competitive strategies employed by SACCOs at a 0.05% level of significance. In addition to test of significance using the P-values, the analysis also checked the strength of the relationship using the correlation coefficient r. From the table 4.10 below, it indicates that there is more relationship between adoptions of low costs of doing business and adequate capital that is enough for growth and protection against insolvency, Sacco assets that are of high quality where p = 0.00. In addition, there is a stronger relationship of 59.4% and 59.6 % respectively between the variables. Also, Board of directors and management staff that are competent in running and safeguarding member’s interests, SACCO’s ability to maintain a good balance between member savings, loan disbursements and investments to ensure adequate liquidity levels, SACCO being much sensitive and well prepared to unexpected/ abrupt shifts in economic changes and SACCO’s ability to exhibit Signs of growth where members are well satisfied, enjoy tailor-made products and have confidence with the SACCO’s financial strength have a more significant relationship where p=0.000, 0.004,0.022 and 0.17 respectively. However, there is a weak relationship between the variables of 43.9%, 31.5%, 25.6% and 26.6% respectively.

The p value 0.0899, 0.091.and 0.322 indicates that there is less or no relationship between development of specialized products and/or services to suit a particular target market segment and loan disbursements and investments to ensure adequate liquidity levels, SACCO being much sensitive and well prepared to unexpected/ abrupt shifts in economic changes and SACCO’s ability to exhibit Signs of growth where members are
well satisfied, enjoy tailor-made products and have confidence with the SACCO’s financial strength. In addition, the relationship that exists between the variables is weak.
Table 4.10 Correlation Coefficient Analysis
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher has outlined the summary of the findings, discussion and conclusions that were obtained from the findings as indicated and puts forward policy recommendations made to various stakeholders. The conclusions and recommendations are aimed at addressing the research objectives studied that sought to evaluate competitive strategies applied by Savings and Credit Co-operatives (SACCOs) in enhancing their financial performance in Kiambu County. At the end of it, the researcher has also suggested possible areas for further study.

5.2 Summary of Major Findings

In this section the researcher has discussed the findings on the three specific objectives based on the data collected and the accompanying analysis to sum up as follows:

5.2.1 Identification of Strategies Employed by SACCOs that Influence their Competitiveness over their Rivals

Results indicated that there is a significant positive relationship between the strategies that are employed by the SACCOs and the competitive edge created over their rivals. The strategies employed should include adoption of low cost of doing business, development of unique products/services and products specialization to suite a particular market. All these strategies should be geared towards creating a competitive edge for the SACCO.
Results indicated that for SACCOs in Kiambu County to gain an edge over their rivals, they have to adopt competitive strategies.

5.2.2 Effect of Forces of Competitive Position in the Development of Sustainable Competitive Strategies

Results indicated that there was a significant positive relationship between forces of competitive position and strategy development. This implies that for a SACCO in Kiambu County to create and sustain a competitive edge over its rivals, it has to consider forces of competition when developing their strategies. Consideration of both existing and emerging players in the market, buyer and supplier bargaining powers as well as substitute products and services are among significant competitive forces.

5.2.3 Effect of Adoption of Competitive Strategies on SACCO’s Financial Performance

The results indicated that there was a strong positive relationship between adoption of strategies related to competitive advantage and the resulting overall financial performance of the SACCOs. Hence SACCOs can perform better both financially and non-financially upon adoption of strategies that are developed and implemented with creation of competitive advantage in mind. Similarly, development of strategies that do not take creation of a competitive edge of a firm as a priority might end up having little or nil effect on the overall financial performance of the firm.

5.3 Conclusion

From the findings enumerated above, it is evident that there exists a significant positive association between strategies employed by SACCOs to outshine their rivals and the resulting sustainable competitive advantage gained by them. These results were
consistent with existing literature that sustainable competitive advantage of a firm can be as a result of strategies that they adopt (Clegg et al., 2011). Moreover like in military, businesses too are on war footing due to competition becoming fierce and survival more problematic, they will employ strategies to outperform their competitors, (Ferreire, 2014). This means that in the current dynamic competitive environment, SACCOs are striving to remain relevant in the economy by devising strategies of competing with their financial counterparts.

The competing strategies are well entrenched in the SACCO’s strategic plan and are frequently reviewed for performance management. This is consistent with Barney (2007) who argues that a firm has a competitive advantage (temporary or sustained) when it has defined ways of generating more economic value. A SACCO’s sustainable competitive advantage increases with the development, implementation and periodic monitoring/review of its competitive strategies.

Whereas the SACCOs in Kiambu County have to adopt strategies as a sure way of competing with other financial players in the industry, they must also consider market forces when developing these strategies. The findings of this study indicated a linear relationship between market forces consideration and the emerging strategies. This finding is consistent with Gathurithu (2011), who deduced that SACCOs should not only employ strategies that will keep them ahead of competition but those that will sustain their competitive edge in a dynamic environment. The study findings also indicated that those strategies that were developed while considering market forces had superior effect of forming a sustainable competitive edge over the SACCO’s rivals.
The findings further showed that the financial performance of the SACCOs increased with increase in the application of strategies which in turn created a competitive advantage over the rivals. This was consistent with Parast and Fini (2010) who pointed out that in the quest for better financial performance and profitability, firms are adopting strategies to achieve this. It was also affirmed by Clegg et al., (2011) that the main goal of strategic management is to lead a firm into achieving superior performance due to creation of competitive advantage. Managers and SACCO directors must strategize on how to strengthen SACCO’s competitive position in the long run, gain competitive edge over competitors and improve their financial performance. The findings indicated a positive relationship between competitive strategies and the financial performance indicators. In this view SACCOs in Kiambu County are adopting strategies which are developed with an aim of sharpening their competitive edge which consequently improves their overall financial performance.

In conclusion, it was observed that a significant linear association that exists among the competitive strategies adopted by SACCOs, sustained competitive advantage and the resulting financial performance. In order for SACCOs in Kiambu County to compete effectively with other financial players in their area of operations, embracement of competitive strategies geared at increasing their competitive advantages is of paramount importance. Strategies were entrenched in SACCO’s strategic plans. However, strategy development was found to be done in full appreciation and consideration of the market forces and dynamics existing in the area of operation. More specifically, considering effect of threats of substitute products/services, new players and rivals, and the
bargaining power of both the suppliers and the buyers ensure objectivity in strategy development.

Competitive strategies adopted by SACCOs accelerate their financial performance over their rivals. Growth in capital, asset base, earnings, liquidity and better management was evidenced in SACCOs that embrace competitive strategies. In addition, there are strategies that SACCOs need to emphasis on since they have a higher significance in enhancing the financial performance than others. These strategies include development of specialized products and/or services to suit a particular target market segment and the application of low cost of doing business, unique and specialized products/services development.

5.5 Recommendations
In view of the above research summary and conclusions, the following recommendations are hereby stated;

That the policy makers in Government should formulate policies that will encourage SACCOs to develop, implement and review objective strategic plans. In the formulation of their strategic plan SACCO’s should invest in market research to understand their target market which will in turn guide on their product development and in reduction in their cost of operation. The Kenyan government considers working with SACCO regulators like SASRA to ensure enhancement of financial performance through adoption of strategies. This will ensure that the CAMELS financial indicators that they advocate for are well considered in strategic decision making. The SACCO management consultants should consider market forces affecting financial performance when developing strategic plans in order to ensure competitiveness in SACCOs. The
implementation of the strategic plan by the board will be well articulated in the staff’s performance management system (PMS) and service contracts.

Based on the findings, it is therefore recommended that in order to improve financial performance of SACCOs, there is need to incorporate effect of market forces in strategy development which will in turn increase their competitive position over the rivals.

5.6 Areas for Further Research

This study sought to evaluate competitive strategies applied by SACCOs in enhancing their financial performance in Kiambu County. The researcher suggests further research on: effect of managerial competence on the overall performance of SACCOs, effect of information sharing on the financial performance of SACCOs and the factors affecting implementation of strategic plans in SACCOs.
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APPENDIX I

QUESTIONNAIRE

My name is Daniel Ng’ang’a; I am a final year student at Kenyatta University-Kenya pursuing a Master’s Degree course in Business Administration. As part of the program, each student is required to conduct a research project on a topic of their choice. I would like to evaluate the strategies applied by SACCOs to gain and sustain a competitive advantage over their competitors in Kiambu County which will enhance their financial performance.

Kindly assist by completing this questionnaire. All information provided shall be treated with strict confidentiality and will be used solely for academic purposes.

A: Personal Details

(Please enter the codes in the boxes where necessary)

A1. Name (Optional) .................................................................

A2. Gender
1. Male
2. Female

A3. Age bracket
1. 21-30 Years
2. 31-40 Years
3. 41-50 Years
4. 51-60 Years
5. 61 Years and above

A4. Occupation/ position in the SACCO
1. Board or Executive member
2. Senior Management.
3. Middle level Management
4. Other staff/employee(s)

A5. Education Level
1. Diploma or less
2. Bachelor Degree
3. Master Degree
4. P.H.D Degree

A6. For how long has your SACCO been in existence?
1. 1-10 years
2. 11-20 years
3. 21-30 years
4. 31-50 years
5. 50 years and above

A7. On average how many employees does your SACCO have?
1. Below 5 employees
2. 5-10 Employees
3. 11-20 Employees
4. 21-30 Employees
5. 31-40 Employees
6. 40 Employees and above

A8. On average how many members or shareholders does your SACCO have branch wise?
1. 100 and below members
2. 101-500 members
3. 501-1000 members
4. 10001-2500 members
5. 2501-5000 members
6. 5000-10000 members
7. 10000 members and above

B. Competitive Advantage Strategies Employed By SACCOs

B1. Does your SACCO have established ways of competing with others?
1. Yes
2. No

B2 Does your SACCO have a documented Strategic Plan
1. YES
2. NO

B3 How did your SACCO come up with a strategic plan
1. Internally using members and staffs
2. Externally using a consultant
3. Both Internally and Externally
4. Otherwise
(Specify)………………………………………………………………………………

B4 How long does your Strategic Plan run
1. Two years
2. Three years
3. Four years
4. Five years
5. Otherwise (specify)…………………………………………………………

B5 Does considering the market forces (demand and services) in formulation of Strategic plan help in influencing sustainable competitive advantage.
1. Strongly
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

B6 To what extent does the strategic plan of the organization incorporate the use of competitive strategies as a way of gaining Competitive Advantage?
1. Very high
2. Fairly high
3. Average
4. Fairly low
5. Very low
B7 How often do your SACCO Review its Strategic Plan

1. Monthly
2. Quarterly
3. Semi Annually
4. Annually

B8 In a 4-point likert scale of 1- Strongly Disagree, 2- Disagree 3- Agree and 4- Strongly Agree, rate the following statements on the influence of strategies applied by your SACCO to attain a competitive advantage over their competitors.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>a) Adoption of low cost of doing business</td>
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<td>b) Development of unique products and services different from other competitors to appeal clients.</td>
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<tr>
<td>c) Development of specialized product(s) and/or service(s) to suit a particular target market segment</td>
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<tr>
<td>d) Application of all the above strategies i.e. a, b and c above</td>
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C). Forces of Competitive Position considered in Developing Strategies in SACCOs

C1. In a 4-point likert scale of 1- Strongly Disagree, 2- Disagree 3- Agree and 4- Strongly Agree rate how the following statements on the forces of competitive positions considered by your SACC while developing strategies influence in achieving and maintaining competitive advantage
D). Competitive advantage strategy development in SACCOs

D1. In a 4-point likert scale of 1- Strongly Disagree, 2- Disagree 3- Agree and 4- Strongly Agree, rate the following statements on the influence they have on the development of a sustainable competitive advantage.

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<tr>
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<th>Strongly Disagree</th>
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<tr>
<td>f) Threats of new SACCO entrants</td>
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<td>g) Bargaining powers of SACCO customers</td>
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<td>h) Rivalry among existing SACCOs</td>
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<td>i) Threat of Substitute Products and Services from other SACCOs</td>
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<td>j) Bargaining power of supplier customers</td>
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<th>Strongly Disagree</th>
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<tr>
<td>f) Establishing a product or organizational</td>
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brand that the clients will always remain loyal to.

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<tr>
<td>g) Establishment of exclusive rights on products and/or services offered by your SACCO. (product patents)</td>
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<td>h) Through continuous upgrades and updates of systems, innovative products and/ or services offered by your SACCO.</td>
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<tr>
<td>i) Ensuring mutual relationship with all key stakeholders of the SACCO.</td>
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<td>j) Establishment of a well-executed long-term contract with the SACCO Members.</td>
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</table>

D2. In a 5-point likert scale of 1- Strongly Disagree, 2- Disagree 3-Neutral 4- Agree and 5-Strongly Agree, rate the extent to which the following SACCO’s financial indicators are influenced by strategies related to competitive advantage.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<td>g) Adequate capital that is enough for growth and protection against insolvency.</td>
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<td>h) SACCO’s assets that are of high quality (Loans and investments) and well financed.</td>
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<tr>
<td>i) SACCO’s Board of Directors, and</td>
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management staff that are competent in running and safe guarding member interests while adhering to applicable laws and regulations

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j) The SACCO’s ability to maintain a good balance between member savings, loan disbursements and investments to ensure adequate liquidity levels.

k) The SACCO being much sensitive and well prepared to unexpected/abrupt shifts in economic changes.

l) The SACCO’s ability to exhibit Signs of growth where members are well satisfied, enjoy tailor-made products and have confidence with the SACCO’s financial strength.

D3. Please make any additional comments on your SACCO’s competitive strategies in the space provided .................................................................

Thank you for your time and cooperation in filling up this questionnaire.