
Corporate Growth Strategies and Performance of Selected Savings and Credit Cooperative Societies in Nairobi City County, Kenya

Hamida Mwilu¹, Reuben Njuguna²

¹Master of Business Administration (Strategic Management), Kenyatta University, Kenya

²Department of Business Administration, Kenyatta University, Kenya

ABSTRACT

The dynamic nature of business operating environment has called on business leaders to be strategic in their leadership roles if they are to sustain their competitiveness into the unforeseen future. Growth is important in Sacco's because it is future oriented establishing ways in which the organizational operations can be aligned to future changes in the business environment to ensure that competitiveness is sustained. The SACCOs in Kenya have experienced problems in the past; some even shutting down therefore there is need for customer growth to be enhanced so as to increase their incomes so as to sustain the business. These SACCOs have to look for leaders and managers who can develop future targets, direct and lead other staffs towards meeting the firm's objective and gaining a competitive edge. The aim of this study was an assessment of corporate growth strategies and performance in savings and cooperative societies in Kenya, Nairobi County. The study sought to determine the influence of market expansion, diversification strategies and acquisition strategies. The study target population was 41 licensed SACCOs in Nairobi County. The study used primary data to collect information, and the data collection instrument was a questionnaire which was given to the 41 operations managers in the 41 selected SACCOs. The data collection procedure was done by the researcher and drop-and-pick strategy will be applied. The data was coded and keyed in Statistical Package for Social Science (SPSS Version 23.0), and was analyzed using both descriptive and inferential statistics. For descriptive statistics was through mean scores, standard deviations, frequencies and percentages, while the inferential statistics was through regression analysis to establish the relationship between strategic leadership and customer growth. The findings were presented in tables and charts for easy understanding, interpreting, and describing the data. The study established that market expansion, diversification strategies and acquisition strategies as corporate growth strategies had a positive and significant effect on the performance of SACCOs in Nairobi City County. The study concluded that the SACCOs significantly employed market expansion strategies through improved branch network, customer base enhancement, new distribution channels and technological innovation. The study concluded that the SACCOs embraced a hybrid of the main diversification strategies, diverse products and services significantly. It was concluded that to a little extent the selected SACCOs in Nairobi City County have employed acquisition as a corporate growth strategy. The study recommends that the SACCOs should embrace integrate technology in the implementation of corporate growth strategies to enhance efficiency and effectiveness. Further studies should be undertaken to establish the effect of corporate growth strategies on the performance of other SACCOs in other regions to establish the disparities or similarities among the financial sector players.

Key Words: Growth Strategies, Market Expansion, Sacco, Diversification Strategies, Acquisition Strategies, Performance

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1. Introduction

The SACCO Sub sector in Kenya is recognised worldwide as one of the fastest growing being at position 1 in Africa and position 7 in the world according to a report by the World Council of Credit Unions (WOCCU) in 2013. This vibrant growth sector means that the number of players is growing each day and so is the level of competition. SACCOs have therefore to device ways of withstanding the crowded space by ensuring application of the right competitive strategies for survival and success. SACCOs in their originality and formations target the previously financially excluded class of clientele (Gamba and Komo, 2014). Bibby, Shaw, and Bateman (2005) describes a Savings and Credit Cooperative as a type of cooperative which aims majorly at pooling savings from the members and in turn provide them with affordable and easy access to credit. As such, a SACCO's main objective is the promotion of the economic interests as well as general welfare of its members often referred to as shareholders. Vicari (2008) adds that a SACCO society is an autonomous association of individuals who come together voluntarily to confront a set of common economic, social, and cultural needs and aspirations by way of the creation of a jointly owned and democratically controlled enterprising initiative. The SACCO Subsector is recognised worldwide as an effective tool to drive the quest for a financially inclusive society. It was imperative for an empirical study to be conducted to assess how various intensive growth strategies applied by SACCOs impact on their performance which was the focus of the study at hand.

The organizations performance is communicated as far as profit, transmission and growth among others is concerned. Most organizations are driven by the wish to increase their importance worth. Build associations and expand their stock. The firm is required to spend its money in relation to assets and implement practices that are good so as to gain performance that are optimum. The firm could use approaches that are unique in order to gain success that include; employing practical procedures administrative, implementing focus strategies that lead to improved performance and also undertaking execution that is definite. The structure of the corporate tends to be higher of rival's organization arranged as oppose to the customer located (Okong'o, 2016). Corporate strategy reflects the organization's framework, innovation at the firm operation administration and the firm's administrative issues. Market expansion, this strategy requires expanding your company beyond its current market. This may mean either finding a new target audience who would need your product, or finding new uses for your current product that could expand its reach. Diversification is when a company sells new products to a whole new market. This requires involved planning and research to ensure that this method will have positive results for your business. Acquisition means purchasing and absorbing a competitor to expand your business. This method allows businesses to grow at a much more rapid pace than the other four methods, but it is also costly and time consuming.

2. Statement of the Problem

Financial performance has remained the single most important concern for business entities in their pursuit of shareholder wealth maximisation objective. The Annsoff Matrix as a strategic planning tool has continued to gain popularity in all quotas of business arrangements. Business entities are realizing that in the background of stiff competition and change in the business environment, entities must either shape up or ship out of the different business platforms. It is ironical that despite the growth of the Kenyan SACCO sub sector being highly rated in the world, several SACCOs continue to struggle in financial distress which others have been forced to shut down as is the case of Tena SACCO (Gamba and Komo, 2014). The SACCOs institution in Kenya have witnessed increased competition in the recent past and this has forced companies to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively for their products. Other challenges have come from the regulation of the sector prices of products by the government and the threat of entry and mergers of local firms with international players and this combined has increased business risk level of the firms. With the increased level of competition, local owned SACCOs have had to employ growth strategies and align itself to capture new markets or retain its existing market share. Understanding of a firm's strategy based on independent and collaborative resources requires a combination of theories and methodologies and strategic positioning is one of these theories.

Chege, (2017) studied on effectiveness of strategies that are competitive on performance of the business of Kenya betting companies. The study suggests that all persons from the firms need to be elaborated in the management organization hence improving sharing thought and meetings along lines of easy basic leadership. Nevertheless, this research was on Kenyan betting hence cannot be applied in our current study. Kinyuira (2014) studied on effects of porter's generic competitive strategies on the performance of savings and credit cooperatives (saccos) in Murang'a. the results were that majority of the firms of the companies had documented strategy already to achieve their reputation, the research also discovered that most respondents agreed to the fact that corporate reputation strategies of management very largely contribute to the company's success. According to SASRA (2017) annual report on the performance of SACCOs in Kenya, 70% of the cooperatives fail to perform or grow due to poor strategic management. The report indicated that 85% of the SACCOs didn't have a strategic management department or team. The SACCO boards didn't bring on board experts on strategic management to guide and implement strategic plans despite having them on paper. The research further recognized that the firms adopted management reputation strategies such as different forms of assertive and strategies that are defensive that were core in the both protecting and defending reputation of the firm.

From the above review, it was clear that a lot remained to be done in respect to research on growth strategies and their resulting impact on firm performance. The researcher also unveiled methodological gaps, contextual gaps as well as empirical gaps that would be filled by the proposed study. Most past research had over concentrated on competitive strategies. The few researchers who had focused on growth strategies had considered a narrow framework of the growth strategies as contained in the Annsoff matrix. Most past studies reviewed had used accounting based measures of performance and therefore a focus on other measures such as market based measures filled this methodological gap. Most research on this area had been done in other countries with only a few local studies encountered. The researcher had not also come

across any research done in Nairobi City County despite the intensive Cooperative movement activities in the County. A focus on Nairobi City County helped fill this contextual gap.

3. Objectives of the Study

The general objective was to establish the effect of corporate growth strategy and performance of selected Saccos in Nairobi City County, Kenya.

This study was based on these specific objectives:

- i. To determine the effect of market expansion on performance of selected SACCOs in Nairobi City County, Kenya.
- ii. To establish the effects of diversification strategies on performance of selected SACCOs in Nairobi City County, Kenya.
- iii. To assess the effect of acquisition strategies on performance of selected SACCOs in Nairobi City County, Kenya.

4. Theoretical Framework

The study was anchored on Resource Based-View (RBV) Theory, Corporate Branding Theory and Dynamic capabilities Theory.

4.1 Resource Based-View Theory

Wernerfelt (1984) developed the RBV theory which was later popularized and developed by Barney (2001) as a tool for gaining competitive advantage. The resource-based view (RBV) as a tool of competitive advantage has its foundation on the application of a bundle of valuable tangible or intangible resources at the firm's disposal. The theorists behind the resource-based view (RBV) see resources as key to superior firm performance and argue that organizations should look inside the company to find the sources of competitive advantage rather than looking for competitive advantage from the competitive environment. The resource based view puts emphasis on resources and capabilities as the very beginning of competitive advantage. The model develops the body of knowledge of differential firm performance and also ushers new dimensions to the understanding of strategic management as a corporate discipline (Barney & Clark, 2007).

The RBV proponents assert that it is much more viable to use existing firm resources in exploiting external opportunities in a new way as opposed to acquiring new skills for each new opportunity. The basic premise of the RBV framework is the role of resources in influencing organizational performance. The RBV theory presents two kind of resources categorised into tangible and intangible resources (Arend, 2006). Tangible assets are physical assets and include Land, buildings, machinery, equipment and capital. The limitation with physical resources is that they can easily be acquired from the market so that in the long run because rivals would purchase the identical assets and therefore may not be a long term source of competitive advantage. Intangible assets are other assets with no physical presence and include brand reputation, trademarks, intellectual property are all intangible assets. The intangible assets can be a great source of competitive advantage in that they cannot be bought from the market and are achieved over a long period of time, for example, brand loyalty. As such, the theorists assert that intangible resources are a major source of sustainable competitive advantage for firms (Galbreath, 2005).

The RBV theory however makes two critical assumptions of RBV that resources must also be heterogeneous and immobile. With regard to the heterogeneous resources assumption suggests that an organisation's skills and capabilities differ from that of other company or firms. Competitive advantage is pinned on the assumption that the companies or firms have different resources which they exploit differently to outsmart each other in the market. The RBV theorists also assume immobility of resources. This means that in the short run, resources cannot move from company to company. As such, other firms are not able to replicate a rivals' resources or implement the same rival's strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile which assigns them the ability to sustain the competitive advantage in the long run (Arend,2006).

The resource-based view (RBV) holds that by innovatively delivering superior value to customers, a firm would stand a chance to win competitive advantage. The idea of resources as the basis of competitive advantage asserts the importance of the theory to the study at hand. It is important to restate that the study is particularly interested in determining the influence of intensive growth strategies utilised by SACCOs and the relative influence on performance. Resources are at the very baseline point for organisations' ability to develop and sustain winning strategies, a factor that underpins the significance of the theory to the study at hand. In the context of SACCOs and the focus of the study, the RBV framework applies especially to the ability of the SACCO to utilize its internal resources such as staff competencies and knowledge base to develop winning growth strategies and then relying on long run firm resources such as firm's image in order to ensure the strategies are successful. With adequate resources at the firm level, the company is well placed to develop winning products, drive their success in the market and sustain the momentum. The theory was therefore a useful guide particularly on the analysis of the, market expansion, diversification strategies and acquisition strategies objectives of the study

4.2 Corporate Branding Theory

This theory was proposed by Hankinson in 2007. This concept includes various shareholders cooperating with many staffs across several departments within the firm. Corporate that is good marking call for regularity in communicating an identity brand to all the stakeholder organization making sure reputations are favorable. It needs an understanding way of handling management brand whereby; each member of the organization assumes the anticipated character in line with the brand. Outstanding organization of the brand that is available resources results in a reputation brand that is favorable. Hulberg, (2006) suggests that reputation brand is a joint illustration of activities that are part of a brand that summarizes chances of getting results that desirable for different shareholders. Merrilees, and Fry (2002) says that corporate that is good increases purchase decision of the customers, defiance and the loyalty of the brand. Corporate reputation is said to have a large impact on the brand of the consumer attitude that further affects their gratification, attention of the purchase and alleged company performance. Therefore, managers need to be well refined in order to attain a match that is good between character and reputation.

4.3 Dynamic capabilities Theory

Dynamic capabilities theory was authored by Teece, Pisano and Shuen (1997) with a proposition that in order to sustain performance in an environment of hyper competition, business firms must continually reconfigure internal resources and capabilities to assume corporate responsibility for adapting turbulent environment. Dynamic capability is used in reference to the capability of an

organization to decisively adapt an organization's resource base. According to Zahra, Sapienza, and Davidsson (2006), dynamic capabilities involves firm's strategy that aim at regularly integrating, recreating, reconfiguring and renewing internal and external resources. These actions are prompted by dynamic and rapidly shifting market environments against the endeavour of the firm to attain and sustain competitive advantage. According to Teece (2007) as compared to the 'resource-based strategy' which tries to accumulate valuable technology assets and employ an aggressive intellectual property stance the 'Dynamic Capabilities Strategy' is built on timely responsiveness, rapid and flexible product innovation, along with the management capability to effectively coordinate and redeploy internal and external competences. Winter (2003) postulates that the dynamic capabilities methodology provides a coherent background of combining existing conceptual and empirical knowledge, and facilitate useful corporate prescription. The whole conclusion of the theorists is that competitive advantage of firms stems from dynamic capabilities rooted in high performance routines operating inside the firm. The competitive advantage sources are entrenched in the firm's processes, and conditioned by its past. As such, with regard to the study at hand, the issue was not whether the SACCOs have adequate resources to engage in winning intensive growth strategies, but the ability to position its processes in line with winning strategies and borrowing more from past experiences.

It is important to distinguish between ordinary or operational capabilities from dynamic capabilities. According to Zollo and Winter (2002), dynamic capabilities differ from operational or ordinary capabilities in that operational capabilities enable firms to perform their everyday engagements and activities and are used to maintain the status quo. In contrast Winter (2003) argue that dynamic capabilities enable a firm to constantly renew its operational capabilities and therefore achieve long-term competitive advantage and success. Similar distinctions are made by Teece (2007) who argues that operational capabilities help sustain an organization's technical aptness by guaranteeing day-to-day operational efficiency. On the other hand, dynamic capabilities help in sustaining a firm's evolutionary fitness by enabling the creation, extension, and modification of its resource base, thereby creating longrun competitive advantage and success. Dynamic capabilities can explain how business firms, and in the context at hand, SACCOs, create, define, discover, and exploit entrepreneurial opportunities in complex and volatile external environments in search for a strategic matching of resources and market needs (Teece, 1997). As such, the Dynamic Capabilities theory will be applicable to the study at hand especially with the creation of long term capabilities hereby referred to as dynamic capabilities to ensure that the most viable corporate growth strategies are applied to drive the organization to new levels of competitive advantage. The theory was particularly useful in determining the worth or otherwise of engaging in intensive growth strategies as the researcher sought to establish the influence of the strategies on performance of SACCOs. To be specific, the theoretical orientation guided the assessment of the role of Market expansion, Diversification and acquisition strategies in enhancing SACCOs' performance.

5. Empirical Literature Review

Tangus and Omar (2017) studied the effects of market expansion strategies on performance of Commercial Banks in Mombasa County. Overall finding of the study revealed strong correlation coefficient between firm performance and the three market expansion strategies all with a significance of above 95%. Furthermore, the findings of this study substantiate the call for banking institutions to use market expansion strategies to enhance their performance. Hallbäck and Gabrielsson (2013) conducted a study on entrepreneurial marketing strategies during the

growth of international new ventures originating in small and open economies. The empirical results show that foreign expansion path, foreign business experience, and external globalization pressure have an impact on the selection of marketing strategies. The study also finds that the fit between these contextual factors and the standardization of marketing strategy has a positive effect on performance. Cherotich, Sang, Shisia, and Mutung'u, (2015) conducted a study on financial innovations and performance of commercial banks in Kenya. The study found out that diversification expansion strategies had greatly effect on the performance of Commercial Banks in Kenya. From the findings, the study concluded that product development has the highest effect on performance of commercial banks, followed by market penetration, then diversification while market development having the lowest effect on the performance of commercial banks.

Anjili (2014) researched on effects of asset and liability management on the financial performance of commercial banks in Kenya. The study established that Mobile and Internet banking is highly employed as a product diversification strategy. Further, addition of new product features to the existing product (pricing) and branding /rebranded most of the existing products and re-launching them into the market are key marketing strategies commercial banks in Kenya can use to enhance their performance. Additionally, using retained earnings for the bank expansions, giving dividends to the stakeholders and paying bank's debts is a significant internal growth diversification strategy. Results further indicated that the independent variables studied explain 53.7% of the effects of diversification strategies on the performance of Commercial Banks of Kenya. Park and Jang (2013) researched on effects of within-industry diversification and related diversification strategies on firm performance. The study finds an insignificant effect of geographical diversification on firm performance, a negative effect of brand diversification on performance and a negative moderating effect of brand diversification on the geographical diversification–firm performance relationship. Kang (2013) conducted a study on the relationship between corporate diversification and corporate social performance. The results of the diversified and undiversified firm in regression analysis showed that there is no multi collinearity between the variables. Diversified firm are riskier than the undiversified firms, however, the diversified firms have higher leverage than undiversified strategic firms. So, the undiversified firms have the greater returns due to the less proportion of the risk.

Mailanyi, (2014) did a research on the effect of mergers and acquisition on the financial performance of oil companies in Kenya. The results showed that petroleum organizations performed better in the post-merger period as compared to the pre-merger period. However, merger was to have irrelevant positive results on the liquidity and solvency of the petroleum organizations. Swaminathan, Groening, Mittal and Thomaz (2014) led a study on how the attaining the double target of satisfaction of the client and competence in mergers effects on monetary results of merged organizations. Diversification had no importance effect on monetary performance of institutions that are merged. Synergy had an importance connection with performance finance of merged firms. Board size had an important connection with monetary performance of merged organizations and there was a vital connection between the controlling effect on economic development and performance finance of merged organization. Inoti, Onyuma, and Muiro, (2014) conducted on the results of the financial acquisition performance of the acquiring Kenyan companies. The research findings show that the goodness of the fit model was sufficient reported by r squared of 0.553 which means that 55.3% of the distinction in the financial performance is elaborated by changes in liquidity, solvency income and competence.

The related coefficient of 74.4% means that variables that are dependent have a strong correlation independent variable.

6. Conceptual Framework

The conceptual framework as developed by the researcher included independent as well as dependent variables. The independent variables are the corporate growth strategies also referred to as intensive growth strategies that SACCOs often employ in their growth activities. The Corporate growth strategies were market expansion, Diversification and acquisition strategies. The dependent variable was Performance which was indicated by both Accounting based profitability measures as well as outreach measures of performance. To indicate performance the researcher was interested on profitability and growth of SACCOs in Nairobi City County. Conceptual frame provides clear diagrammatic expression on how these variables relate to performance. Figure 1 is the conceptual framework if the study.

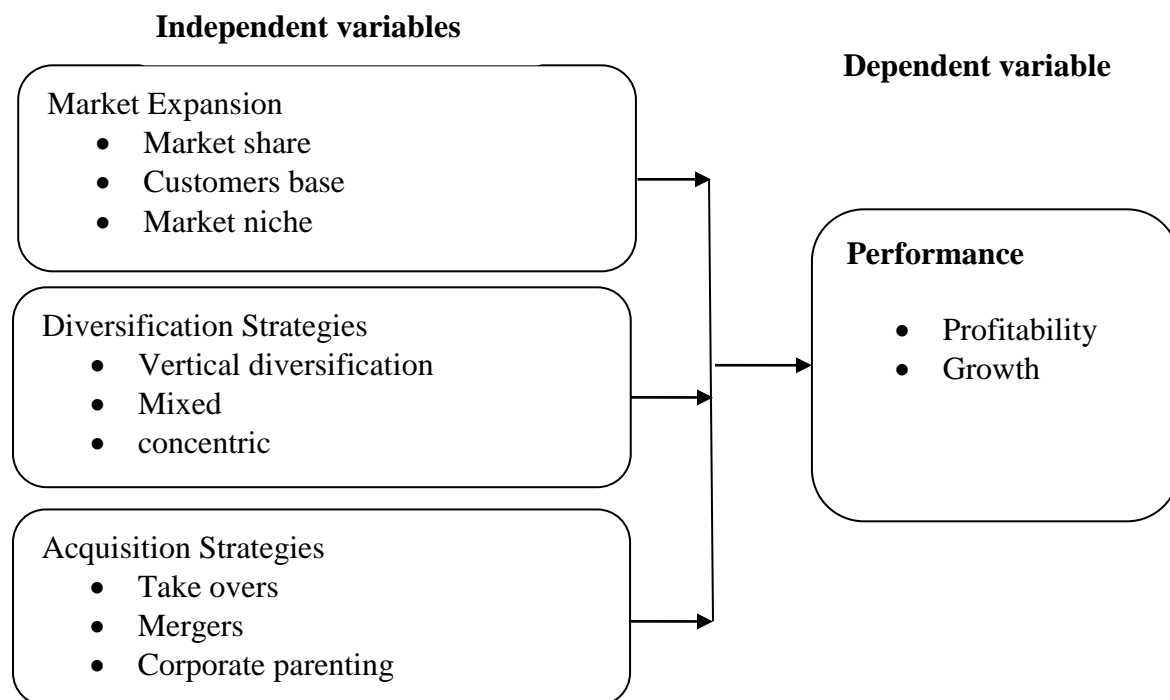


Figure 1: Conceptual Framework

Source: Researcher, 2020

7. Research Methodology

A descriptive research design or approach was used in the study at hand to explain the influence of corporate growth strategy and performance of selected Saccos in Nairobi City County. In this study all the 41 registered SACCOs in Nairobi County with SASRA formed the study population. The study therefore targeted all the 123 respondents which meets and even surpasses the threshold size of thirty (30) as argued by Kothari (2011) and Mugenda and Mugenda (2003) as a rule of thumb, appropriate and adequate to allow for normal approximations. The study targeted three management positions including: Operations manager, Finance and Administrations manager and human resource manager. This study included all of the three cadres in Saccos. The study included all of the 41 staffs in licensed Saccos. Since the population

is small and less than 200, the study took the form of census. Mugenda and Mugenda (2003) states that census is carried out when the population is less or equals to 200.

The study used a questionnaire what was administered to the selected employees among the 41 SACCOs in Nairobi City County. The researcher adopted a drop and pick method, where the questionnaire which is the instrument was self-administered to the respondents in the 41 SACCOs and the respondents were given a period of three days to fill the questionnaire. Primary data was collected on the effect of market expansion, diversification and acquisition strategies on the performance of SACCOs in Nairobi City County. At the end of the time period, the researcher went through the filled questionnaires to ensure it is completely filled and also to ensure that the information collected is valid and reliable. At the point of dropping the questionnaires, the researcher asked for contact information, e-mails and cell phone numbers so as to answer any questions regarding the instrument and also to remind the respondents to fill the instrument. The collected data was sorted to ensure that all of the questionnaires are completely filled. The sorted questionnaires were coded into SPSS Version 23.0 for analysis and presentation. Data was then analyzed by use of descriptive and inferential statistics. Descriptive statistics were presented inform of means and standard deviation. Inferential statistics were presented by use of both correlation analysis and multiple regression analysis to establish corporate growth strategies and performance of selected Saccos in Nairobi City County, Kenya.

8. Research Findings

The researcher carried out inferential statistics to establish the relationship between corporate growth strategies and performance of selected SACCOs in Nairobi City County, Kenya. The findings of Model Summary, ANOVA and Regression Coefficients are indicated in the subsequent sections. The findings of coefficient of correlation R and coefficient of adjusted determination R^2 is as shown in Table 1.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796 ^a	.754	.797	1.02342

a. Predictors: (Constant), market expansion, diversification strategies, acquisition strategies

The findings show that the coefficient of correlation R was 0.796 an indication of strong positive correlation between the variables. Coefficient of adjusted determination R^2 was 0.797 which translates to 79.7%, therefore changes in performance of the selected SACCOs can be explained by the following corporate growth strategies; market expansion, diversification strategies and acquisition strategies. The residual of 20.3% can explain factors beyond the scope of the current study affecting performance.

An ANOVA was conducted at 95% significant level, a comparison of $F_{\text{Calculated}}$ and F_{Critical} was as shown in Table 2.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	634.523	5	8.8612	126.905	.000 ^b

Model	Sum of Squares	df	Mean Square	F	Sig.
Residual	356.756	115	3.1022		
Total	991.279	120			

a. *Dependent Variable: Performance*

b. *Predictors: (Constant), Market expansion, diversification strategies and acquisition strategies*

The findings show that of $F_{\text{Calculated}}$ was 126.905 and F_{Critical} was 5.681, this show that $F_{\text{Calculated}} > F_{\text{Critical}}$ an indication that the overall regression model was significant for the study. The p value was $0.00 < 0.05$, an indication that at least one variable significantly influenced performance.

In order to establish the individual influence of the variables on employee performance, the study conducted regression analysis. The findings are as shown in Table 3.

Table 3: Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	5.867	.625		2.715	.001
Market expansion	.791	.032	.615	2.526	.000
Diversification strategies	.704	.062	.325	4.374	.000
Acquisition strategies	.645	.055	.261	3.278	.001

Source: Field data, 2019

a. *Dependent Variable: Firm performance*

Table 3 shows that holding other variables constant; performance of the SACCOs would be at 5.867. A unit increase in market expansion holding other variables constant, performance would be at 0.791. A unit increase in diversification strategies while holding other factors constant, performance of the firms would be at 0.704 while a unit increase in acquisition strategies while holding other factors constant, performance would be at 0.645. The study pointed out that the independent variables of the study had a p value of less than 0.05 an indication that the variables significantly influenced performance. This is supported by Hallback & Gabrielson (2013) who stated that corporate growth strategies which range from market expansion strategies, diversification strategies and acquisition strategies had a positive and significant effect in turning around the performance of firms.

9. Conclusions and Recommendations

Going by the findings, the study recommends that more aggressive investment in Corporate Growth Strategies. This is because, the study gathered enough evidence supporting the case for pay offs surpassing the costs. The market expansion strategies, diversification strategies and acquisition strategies had a positive and significant effect in turning around the performance of firms. From the results, market expansion was found to yield the greatest influence on the performance of SACCOs. The study recommends special emphasis by the SACCOs

diversification as an intensive strategy for the growth of the SACCOs. Saccos and other organizations should pursue market expansion, diversification and acquisition as a strategic goal which businesswise is health as business risks are spread over different business lines. Capital resources are effectively allocated bringing back stable profits and even enhanced shareholder value. Emerging attractive business opportunities can only be utilized through the application of growth strategies which increases shareholders' financial gains. The study recommends special emphasis by the SACCOs diversification as an intensive strategy for the growth of the SACCOs

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