FACTORS INFLUENCING ACHIEVEMENT OF COMPETITIVE ADVANTAGE BY THE SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA. (A Case of 2NK Savings and Credit Cooperative Organizations)

BY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY.
DECLARATION

I declare that this is my original work and the same has not been submitted for another degree or qualification in any institution of learning.

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This project is dedicated to my wife and children for encouraging me in every step of the way as I strived to come up with this proposal.
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OPERATIONAL DEFINITION OF TERMS

**Competitive advantage:** Value a firm is able to create for its buyers that exceed the cost of producing it.

**Stakeholders:** Individuals or groups who influence or are influenced by the operations of an organization.

**Stakeholder management:** Degree to which stakeholders of the firm are aligned to the key decision makers and among themselves to the vision and mission of an organization.

**Innovations:** Ability to develop new ways of doing things leading to greater efficiency.

**Organization culture:** The overall organization's guiding principles that unify the members of the organization and which are reflected in the vision, mission and the core values.
ABBREVIATIONS AND ACRONYMS

MVOA  Matatu Vehicle Owners Association
MOA  Matatu Owners Association
MWA  Matatu Welfare Association

SACCOs  Savings and Credit Cooperative Societies

SPSS  Scientific Package for Social Studies

ToC  Theory of Constraints

2NK SACCO  Nairobi, Nyeri, Karatina SACCO
ABSTRACT

Competitive advantage refers to the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Like any other business organizations SACCOs need to create value for their clients in order to gain competitive advantage and thus ensure survival and profitability. The study sought to analyze the factors influencing the achievement of competitive edge by SACCOs in Kenya. This was be done by focusing on 2NK SACCO; which falls under the public transport sector and which has been performing relatively well despite the stiff competition among other SACCOs in the sector. The study will sought to establish the effect of stakeholder management on the creation of competitive advantage, evaluate the effect of firm’s propensity to innovations and changes on creation of competitive advantage and to establish the influence of organizational culture on creation of competitive advantage. The study adopted a descriptive research design and targeted a population of 17 management staff and employees of 2NK SACCO, 280 matatu owners and 560 matatu crew members. Stratified sampling was applied to select 10.74% of the population to be used for the study. Three types of research instruments were used for to collect data; questionnaires, interview schedules and document analysis. The questionnaires were administered to 2NK SACCO office attendants, matatu crew and the vehicle owners. Interview schedule were used in collecting data from the senior management staff of 2NK SACCO branches while document analysis was conducted in the 2NK SACCO offices by scrutinizing the documents in the various 2NK offices in Nairobi, Karatina and Nyeri where quantitative information about the performance and the growth of the SACCO in a membership and services offered. The study being descriptive used descriptive analytical methods which included percentages and correlation analysis. To enhance clarity, the results were presented in tables, charts and graphs. The rest of the data gathered through interview and document analysis was found to be instrumental in facilitating drawing of conclusions and recommendations as well as clarifying issues not adequately addressed by the questionnaires. The study found that, first, the correlation between stakeholder management and ability to create competitive edge was positive and significant indicating that effective stakeholder management enables the SACCO to create a competitive edge. Secondly, it the correlation between innovations and ability to create competitive edge was weakly positive and not significant indicating that the ability to come up with and adopt new innovations enables the SACCO to create a competitive edge although to a small extent. Finally, the correlation between nature of organization culture and ability to create competitive edge was positive and significant indicating that effective organization culture enables the SACCO to create a competitive edge. Based on the research findings, the study recommends that, the SACCOs and other business organizations should adopt sound systems of stakeholder management which should include stakeholder analysis, analysis and evaluation of various stakeholder interests and attempt to balance them. This will create win-win situations for all the stakeholders thereby encouraging their contribution and support of the activities of the organizations. Consequently, this will increase the quantity of resources available to the organization and thus create a competitive advantage against the competitors. In addition, the organizations should build their capacity to come up with sound innovations and also embrace up to date methods of production. Consequently, this will lower their cost of operation as well as opening of other revenue streams and thus bar new entrants into the industry and boost their market share. Finally, organizations need to cultivate and subscribe to effective organization culture through formulation of core values, guiding principles, standards of operations as well as subscription to best practices of operation.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Competitive advantage refers to the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. (Porter, 1979).

A company assesses the competitive forces of buyer power, threat of entrants, supplier power and rivalry in a given industry, then tries to develop the market at those points where the forces are weak (Porter 1979). The company positions itself so as to be least vulnerable to competitive forces while exploiting its unique advantage (cost leadership).

A company can also achieve competitive advantage by altering the competitive forces. Firms also increase bargaining power over their customers and suppliers by increasing their customers' switching costs and decreasing their own costs for switching suppliers.

1.1.1 Matatu Savings and Credit Societies in Kenya.

Since the entry of the matatu mode of public passenger transport in the 1950s, the sector has grown both in the volume of activity conducted and importance. In some of the rural areas in Kenya, the matatu is the main and sometimes the only motorized means of transport available to facilitate movement of people and goods. This means of transport that is widely used throughout Kenya competes, supplements and complements the
transport service offered by trains, buses and bicycles in the country. The importance of the matatu in Kenya's political economy is sometimes realized when there is a strike by the operators in Kenya's urban areas including the city of Nairobi and the general country. Whenever this happens, movement as well as other sectors of the economy more or less come to a standstill or are disrupted (Khayesi, 1997). The matatu has almost a 50% share of the modal split in Nairobi. Surveys of means of transport used show that the matatu is central in the movement of people and goods in rural and urban areas in Kenya (Khayesi, 1997).

After the official recognition of Matatus in 1973, owners nation-wide formed the Matatu Vehicle Owners Association (MVOA) which allocated matatu routes and controlled the operations of the sector (Aduwo, 1992). MVOA was banned in 1988 by the government on grounds of being used by opposition politicians to further their interests. The associations re-emerged in the late 1990s with the registration of the Matatu Welfare Association (MWA) in 2001 and the formation of the Matatu Owners Association (MOA) in April 2003. Unfortunately, MWA and MOA do not see eye to eye and this undermines their ability to adequately articulate the interests of Matatu owners. There is also the Matatu Stage Welfare Association for drivers, conductors and other stage workers and several route-based SACCOs and welfare organizations that pool resources and redistribute them through credit schemes, organize route operations and address members' welfare concerns.
This strategy is hoped not only to improve the welfare of the members themselves but also help enforce some of the regulations. Formation of SACCOs has further increased the competition among the matatu providers since each SACCO tries to invent ways of boosting its membership as well as its revenue and capital base. Some of the strategies that have been adopted by various SACCOs are introduction of parcel delivery services as well as investing in variety of types of vehicles and routes.

Like any other business organizations SACCOs need to create value for their clients in order to gain competitive advantage and thus ensure survival and profitability. One of the SACCOs that have survived the stiff competition in the industry is 2NK SACCO. It was formed in 1993 by matatu operators in Nyeri. It has so far expanded its services to other towns and diversified its services to include other services in addition to passenger transport. The current study investigated the factors influencing the achievement of competitive advantage by SACCOs in Kenya focusing on the case of 2NK SACCO.

1.2 Statement of the Problem

Cooperative development in Kenya, like in most African countries, has generally traversed two main eras, namely, the era of state control and that of liberalization. The analysis of the current status of SACCOs clearly shows that economic liberalization has not seen the cooperative movement wither away. The available data shows that cooperatives have continued to grow in number and membership as well as in the scope of their operations. (Wanyama, 2009)
However, in the interim many cooperatives succumbed to the fierce competitive market forces, which continue to adversely affect some cooperative organizations. The majority of these organizations have failed to survive the liberalization storm since the market forces have adversely threatened their survival. Due to their inability to provide members with competitive services, some cooperative unions have largely faded away. (Porvali, 1993; Lindberg, 1993)

It is in this regard that cooperatives are increasingly diversifying their activities and introducing innovative cooperative ventures in order to respond to the challenges of the market, as they endeavor to satisfy the interests and demands of their members. Those cooperatives that have managed to adapt to the new market system are recording better performance than they did in the past era of state control. Such cooperatives seem to have reinvented the business wheel that they had lost when they were prematurely taken over by the state. (Lindberg, 1993; Evans, 2002).

Whereas cooperatives seem to be reinventing the business wheel that they had lost to the state, they are yet to claim their place in competitive arena. They continue to be silent and largely invisible on matters that directly affect their business ventures. They continue to face stiff competition with other financial institutions offering similar services. (Hussi et al, 1993). In order for the SACCOs to remain relevant and competitive in the financial sector arena, they must create a competitive advantage over the other players in the market. The current study sought to analyze the factors
influencing the achievement of competitive edge by SACCOs in Kenya. This was carried out through focusing on 2NK SACCO; which falls under the public transport sector and which has been performing relatively well despite the stiff competition among other SACCOs in the sector.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of the study was to investigate the factors influencing achievement of competitive advantage by SACCOs in Kenya with special focus on 2NK SACCO.

1.3.2 Specific Objectives of the study

The study was guided by the following objectives:

a) To establish the effect of stakeholder management on the creation of competitive advantage.

b) To evaluate the effect of firm’s propensity to innovations and changes on creation of competitive advantage.

c) To establish the influence of organizational culture on creation of competitive advantage.

1.4 Research Questions

The research sought to address the following questions:
a) What is the effect of stakeholder management on the creation of competitive advantage?

b) How does firm’s propensity to innovations and changes influence its ability to create competitive advantage?

c) How does organizational culture influence an organization’s ability to create a competitive advantage?

1.5 Significance of the Study

The findings of the study will be useful to a number of SACCO stakeholders in addressing various issues touching on factors influencing creation of a competitive advantage which will enlighten them on the strategies put in place and their impact on the performance of the SACCO.

The SACCO Management will gain strategic insights which may help to improve their organizations. The managers will be able to understand the factors that affect creation of a competitive edge as well as ensuring that the stockholder’s interests are not compromised.

Further, the study aims at bridging the knowledge gaps existing on the creation of competitive advantage. The study will therefore be instrumental to future researchers as it will form a basis for understanding the factors that affect creation of competitive advantage.
advantage as well as informing future policy making concerning formulation of laws governing the operation of SACCOs.

1.6 Limitations of the study

The researcher encountered number of limitations. First, some of the respondents were fully willing to provide information considered sensitive and thus not all respondents were cooperative in relaying the required information. Finally, some of the information required for the study was lacking or not accessible to the researcher due to lack of proper records.

1.7 Delimitations of the study

The researcher addressed the failure to secure information required for the study by assuring the management of the SACCOs under study that the information will only be used for the research purpose only. The researcher also adopted a friendly approach to respondents in order to encourage them to respond. On inadequacy of the information gathered from the primary sources, the researcher used published reports on the performance of the SACCO and the strategies they have put in place.
2.1 Introduction

This chapter analysis reviews the literature that is related to the study. Further it contains conceptualization of the variables of the study and the conceptual framework.

2.2 Theoretical Framework.

The current study is guided by the Theory of Constraints (ToC). The theory was geared towards helping organizations continuously achieve their targets. It adopts the common idiom that 'a chain is no stronger than its weakest link', that is, organizations are vulnerable because the weakest person or part can always damage them or at least adversely affect the outcome of their initiatives (Cox, 1986). The theory contends that any manageable system is limited in achieving one or more of its goals by a very small number of constraints and that there is always at least one constraint and hence it seeks to identify the constraint and restructure the rest of the organization around it in order to facilitate achievement of the set targets and goals.

According to Godraff (1989), the constraint can be addressed through five steps, namely; identifying the constraint, deciding how to exploit the constraint, subordinating all other processes to the decision and repeating the process all over again. He further
says that the steps ensure ongoing improvement efforts are centered on the organization's constraints and that there is continuous improvement.

The Theory of Constraints offers solutions on how organization performance can be improved. It is for this reason that the theory was adopted by the current study in establishing and remedying the impediments that limit the ability of an organization to build a competitive advantage. In the study, the constraints were represented as the strategic challenges that influence the prudent management of SACCOs in Kenya. The constraints have to be continuously identified and addressed if the SACCOs are to succeed in creating a competitive advantage.

2.3 Stakeholder Management

Stakeholder management can be defined as the degree to which stakeholders of the firm are aligned with the firm's key decision-makers, and among themselves, about the vision, the strategy and the values that should guide the firm's behaviour. It is thus conceived as a cognitive construct, having to do with the alignment of perceptions and of representations about what the firm exists for, what objectives it should prioritize and how it should aim to reach them. Stakeholder management can be viewed as the outcome of perceived managers' commitment and effort to act fairly and responsibly, even in case of difficult trade-offs to make between stakeholders' interests to prioritize.
The concept of stakeholder management also does not imply that the needs of various stakeholders are equally weighted. They do not necessarily have the same influence on the firm; neither can one assume that the firm has equal impacts on them. Stakeholder management can be considered as a proxy of corporate social performance. Nevertheless, a high level of stakeholder management can be, but not necessarily is, a consequence of high levels of stakeholder satisfaction. Stakeholders may be aligned with a firm’s key decision makers also when they are required to accept sacrifices or trade-offs, as in case of firm restructuring or turnaround. In such cases, managers’ past responsible behaviours fostered stakeholders’ trust, which, in turn, makes them confident that sacrifices will be equally shared and current strategies will generate future benefits that more than offset today sacrifices. Stakeholder management can also be the cause of higher levels of satisfaction, given the possible increasing levels of commitment and engagement of stakeholders in the firm’s pursuit of its strategic objectives. Finally, cohesion does not necessarily develop through a process of direct interaction and contact among different stakeholders. Different stakeholders may influence each other’s perceptions and behaviours through a system of inter-stakeholder signals (Triantis and Daniels, 1995), which makes each stakeholder perception of a firm and of its management to be affected by perceptions manifested by other stakeholders.

A high level of alignment between managers and stakeholders about firm strategies and managerial choices is perceived as a condition allowing a firm to have access to consensus, support and resources it needs from its stakeholders and hence, ultimately, to
achieve competitive advantage. A huge number of empirical studies (Orlitzky et al., 2003; Waddock and Graves, 1997) explored the relationships between stakeholder management and competitive advantage. While methodologically contested and not straightforward (McWilliams and Siegel, 2000; Margolis and Walsh, 2003), these studies show a clear majority of cases where stakeholder management positively affects creation of competitive advantage.

One of the most widespread explanations of this empirical evidence is that stakeholder management would positively contribute to competitive advantage by enhancing differentiation or, in line with the resource-based view of the firm, by fostering intangible assets like reputation and trust, which, in turn, facilitate firm access to resources. Some studies provided more fine-grained contributions by distinguishing the impact of different ways of ensuring stakeholder management on financial performance (Hillman and Keim, 2001; Halme and Laurila, 2009), or by asking what contingencies may affect the sign and the intensity of the stakeholder management and competitive advantage relationship (Goll and Rasheed, 2004; Harting et al., 2006; Mackey et al., 2007).

2.4 Firm’s Propensity to Innovations and Changes

Cook (1998) considered creativity as an element of competitive advantage for organizations. The most profitable new products will be those that meet the customer needs more effectively than the competitor’s products, and are therefore preferred by more customers (McAdam and McClelland, 2000). Innovation and creativity benefit
companies beyond direct sales growth or efficiency improvements. A company that establishes an effective creativity and innovation process is also likely to realize social benefits that arise from team working and employee motivation (Cook, 1998).

Majaro (1988) looks at innovation as a process where ideas are generated and transformed for implementation to business products and services. Creativity is seen as the front end of the innovation process. Innovation typically occurs through four stages, viz. idea generation, screening, feasibility and implementation. Amabile (1983, 1997, and 1998) defines creativity as the process involved in developing an idea for a new product. Gurteen (1998) defines creativity as generation of ideas whereas innovation is putting these ideas into actions by sifting, refining and implementing. Hence he believed that creativity required divergent thinking process, while innovation a convergent thinking one. Although the fundamental research on creativity dates back to 1960, by the 90s scholars had started appreciating its value in competitive advantage.

2.4.1 Model of Organizational innovation

Andreopoulos and Lowe (2000) mention 'perpetual challenging' as a method to enhance organizational creativity. The process of perpetual challenging in creative organizations occurs through adventuring, overt confronting, portfolioing and opportunising. Through three processes of adventuring, namely, introspecting, scenario making and experimenting, individuals are encouraged to explore uncertainty so that they can generate innovative solutions. Incremental risk taking and mistake making are part of experimenting.
Overt confronting (conceptual confronting and contextual confronting) refers to the deliberate set of work related debates used among employees so that their creative thinking is fully utilized. In port folioing, i.e. simultaneous port folioing, sequential port folioing, conceptual port folioing and contextual port folioing, innovative employees are encouraged to get involved in a diverse range of projects or teams related to projects.

Opportunising refers to the process through which creative employees identify and get involved in projects which are considered as commercially or creatively interesting.

Creative organizations need to be skilled at creating, acquiring and transferring knowledge and modifying behaviors by using these methods to reflect new knowledge and insights.

2.4.2 Obstacles to innovativeness

Jalan and Kleiner (1995) claim that there are obstacles to the full development of the creative potential of both organizational and individuals and there are methods to overcome these obstacles. Recent popular developments for developing creativity are brain skill management program, use of fisher association lists, game playing in small groups and establishing a reward for creativity. It is equally important to implement proposed solutions to determine its effectiveness for solving organizational problems.

Edwards (1989) proposes the team evaluation and management system model (TEAMS) to measure the contributions of organization members. Leaders and managers should set it as a goal for themselves to allow the creative urge to occur in their organizations to prosper. Mortiner (1995) suggests that in order to achieve competitive
advantage, a product innovation matrix should be developed to help marketing and technology staff to think in terms of innovation for the customer. Risks need to be managed from the beginning by identifying them, assessing their likelihood and possible impact and preparing an overall action plan to deal with them. Projects which exceed budgets cost and time scales, projects that are overrun the budget by more than 100%, and project which had been major failure need to be dealt with. Sometimes unsuitable projects need to be discouraged so that further damage is minimized.

2.4.3 Determinants of Innovativeness

Five factors, namely organizational climate, leadership style, organizational culture, resources and skills, and structure and systems of an organization affect organizational innovativeness (Andreopaulos, 2001). While Amabile (1997) has demonstrated the relationship between individual creativity and organizational innovation, Woodman, Sawyer & Griffin (1993) have demonstrated the relationship between individual, team and organizational aspects of creativity.

Leadership and creativity: - As per Peter Cook (1998), a fundamental challenge leaders face in the 21st century is how to profit from individual potential and then leverage it so that it produces organizational innovation and excellence. Creative organizations should attract, develop and retain creative talents if they want to remain competitive. Leadership styles conducive to creativity are participative leadership, leader’s vision for creativity and ability to develop effective groups.
Cook proposes that leaders must effectively communicate a vision conducive to creativity through any available formal or informal channel of communication and constantly encourage employees. Leaders should also be in a position to balance employee's freedom and responsibility (Amabile, 1998). Individuals with strong leadership will consider themselves to have more potential for innovation than individuals with weak leadership potential and individuals with strong potential for innovation and creativity will be more likely to practice them when they perceive strong support from work place than weak support (DiLiello and Houghton, 2006). Their model suggests encouraging self-leadership among organizational members while building organizational environment to support innovation and creativity.

**Climate, Context, and Culture for Creativity:** - Organizational climate could be determined by measuring the level of participation, freedom of expression, performance standards, interaction with small barriers, large number of stimuli, freedom to experiment and building on earlier ideas. Creativity is a key element to competitive advantage. When the context is right, creativity techniques can play their role in raising the level and type of creativity within organization (Peter Cook, 1998). The corporate research foundation lists six key drivers for future success, namely structural flexibility, innovative power, international orientation, human resources, growth markets and quality of management. Creativity is 80% context and 20% techniques (Peter Cook, 1998).
Creative strategy can be explained by a three legged stool analogy taking creative strategy on the top, and culture, leadership and values, structure and systems and skills and resources being the three legs of the stool. Organizational culture should be developed to encourage open flow of communication, risk taking, self initiated activity and teamwork. Moreover, management should trust and respect its employees.

**Structure for creativity:** - The structure and systems required for creativity include long term employment of employees, a flat structure, fair supportive evaluation of employees and rewarding of creative performance (Amabile, 1979, 1983, 1990).

**Time, Money and Politics:** - Amabile (1998) also argues that two main resources that affect creativity are time and money. She stresses explicitly the importance of the quantity of time and money that should be given to employees, since they can either support or constrain creativity. She suggests that there is a ‘threshold of sufficiency’ and within this threshold resources can affect creativity positively and beyond it negatively. Infighting, politicking and gossip are particularly damaging to creativity because it can distract workers from work and force them to protect their employment.

**2.4.4 Climate for innovation**

As per Ahmed (1998) innovation is the engine of change and in today’s competitive environment, resisting change is dangerous because change while it brings uncertainty and risks also creates opportunity. Culture is a primary determinant of innovation and the culture of innovation need to be matched against appropriate organizational context. The feel of the organization reflects both its culture and climate. The climate of the organization is inferred by its members through the organizational practices, procedures
and rewards systems deployed and is indicative of the way the business runs itself on daily and routine basis. Schneider, Gunnarson & Niles-Jolly (1996) determined dimensions of climate as the nature of the interpersonal relationship, nature of hierarchy, nature of work and focus of support and rewards. Closely adhered to the concept of climate is the culture, a reflection of climate but operates at a deeper level.

Culture has implicit and explicit levels. By training, it is possible to change the explicit culture but rarely the implicit one. The strength of the culture depends on the match between the implicit and explicit aspects of culture. Another way of looking at the culture is in terms of cultural norms along two dimensions of intensity and crystallization (O'Reilly, 1989). It is only when there exists both intensity and crystallization (consensus) that strong culture exists. Moreover strong culture work at the implicit level. This is why it is very difficult to develop or change culture. Again an innovative culture can help senior management to implement innovation strategies and plans.

Individual factors such as personality traits, cognitive factors and motivational factors affect innovation while organizational factors such as structure (mechanistic or organic), cultural norms including challenge and belief in action, freedom and risk taking, dynamism and future orientation, external orientation, trusts and openness, debates, cross functional interaction and freedom, myths and stories, leadership commitment and involvement, awards and rewards, time and training, corporate identity and unity, and organizational autonomy and flexibility affect innovation.
Corporate mission and philosophy statements, leadership, empowerment including action boundary, risk tolerance, structure involvement, accountability, action orientation rather than bureaucracy orientation also support innovation. Balanced autonomy, personalized recognition, integrated socio technical system and continuity of slack are required climate for innovation. Companies need to focus on culture and climate for innovation rather than only concentrating on new products and services.

2.5 Organizational Culture

The cumulative result of the past twenty years of studies in organizational culture provides strong support for the notion that, "culture matters." Although the managerial literature has generally accepted the idea the organizational culture is positively linked to organizational outcomes, it is still an emerging research area and empirical data are still somewhat rare. Empirical research suggests that cultures based on Constructive norms can foster the motivation and cooperation—and ultimately, the innovation, creativity, risk-taking behaviors—that organizations with prospector or differentiation strategies need to engage in new product development and get them to market first. The results also suggest, however, that these norms can foster the reliability and consistency that other firms need to maintain their quality and competitiveness.

The overriding question in the field of management is “what is the impact of culture on business performance?” As previously emphasized, leadership in high performing firms builds strong and healthy cultures driven by the firm’s need to execute the type of strategy it has selected based on its market demands. The dominant cultural foundations
that effective leaders apply to create high performing cultures include market connectivity, organizational unity, immediate responses to market signals, and strategy execution. As implied above, leadership is responsible for assuring that there are appropriate mechanisms to disseminate these cultural norms, including comprehensive upward and downward communications channels, visible and comprehensible promotion and incentive criteria, effectively designed jobs, and widely shared exposure to customer feedback. To the extent that leaders effectively shape the appropriate cultural norms, they are translated into managerial and employee behaviors. In fact, it has been noted that culture management has displaced change management as the leadership practice that has the greatest impact on firm performance (Brockbank, Ulrich, & Yakonich, 2002).

One of the main reasons why culture research has been so prominent in recent years is because it holds out the promise that culture may be a factor in enhancing the effectiveness of individuals, groups, and organizations. This path from culture to performance ostensibly occurs because (a) the "right type" of behavioral norms will motivate workers, increase morale, and enhance commitment to the firm's strategy type and objectives (Kilman, Saxton, & Serpa, 1985); (b) Cultural values may clarify the behavioral norms of members (Schwartz & Davis, 1981); and (c) Through these activities, culture can enhance the firm's adaptability and therefore its effectiveness and performance (Kotter & Heskett, 1992).
Calori and Sarnin (1991) carried out a field study examining the link between corporate culture and economic performance. They operationalized culture as espoused values, instead of behavioral norms, but their results were positive nevertheless. They hypothesized relationships between values, management practices, and economic performance and concluded that strength of agreement around norms and cultural attributes appeared to be correlated to firm growth, while the correlation between profitability and cultural attributes was less significant. Other researchers are applying the culture construct in a search for an ideal “marketing culture,” exploring the possibility of a relationship between a organizational culture, its marketing strategy, and profitability. Webster (1993) found a significant relationship between service firm marketing culture, measured along six dimensions, and firm profitability.

The suggestion that there is a link between culture and financial performance, in contrast to behavioral effectiveness, is controversial. Some scholars argue that it may be impossible to substantiate such a link (Siehl & Martin, 1990). They suggest that there are conceptual and methodological “flaws” behind attempts to link culture and financial performance that, in turn, render the results empirically inconclusive (Siehl & Martin, 1990). They opine that the most that culture research can hope to do is establish relationships between culture and psychological and behavioral outcomes, such as motivation, team effectiveness, and commitment.
2.6 Conceptualization

From the literature reviewed, it was evident that there are factors that influence the ability of an organization to build a competitive advantage. These factors as identified from the review of the various theoretical and empirical perspectives may be manifested in various forms which include; stakeholder management, innovativeness, and organizational culture. The current study examined the effect of these factors on the ability of a SACCO to build a competitive advantage.

2.6.1 Conceptual Framework

In the current study, the independent variables were; stakeholder management, innovativeness, environmental dynamism and organizational culture. The relationship between the variables of the study is as show graphically in figure 2.1.

**Independent variables**

- Stakeholder management
- Innovativeness and changes
- Organizational Culture

**Dependent variable**

Competitive Advantage

![Figure 2.1: Conceptual framework for the study](source: Researcher (2012))

Figure 2.1 shows the conceptual model that encompasses the major variables and their pattern. The model shows that adequate and appropriate application of the independent variables results in higher levels of creation of competitive advantage.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the researcher’s scope of methodological procedures to be employed in the study. These include research design, target population, sampling design, data collection instruments and data analysis techniques.

3.1 Research Design

The study adopted descriptive research design. As pointed out by Orodho (2004), descriptive design can be used to collect information about people’s attitudes, opinions or habits. He further notes that descriptive designs are used to allow researchers gather, present and interpret information for the purposes of clarification. This design was chosen because the researcher seeks to analyze the type of strategies employed by SACCOs in the public transport sector to achieve competitive advantage. As pointed out by Kelinger (2001), descriptive studies are not only restricted to fact finding, but may often result in the formulation of important principles of knowledge and solution to significant problems. The design was therefore deemed most efficient in analyzing the type of strategies employed by SACCOs in the public transport sector to achieve competitive advantage.
3.2 Target Population

The population of study was 17 management staff and employees of 2NK SACCO, 280 matatu owners and 560 matatu crew members. The employees of the SACCO included the office attendants. All the sections of the population responded to the research instruments. The study was organized to collect data from the population in Nairobi, Nyeri and Karatina where the SACCO had offices. Due to their large numbers, an appropriate sampling strategy was used to select the actual respondents for the study.

3.3 Sample Size and Sampling Procedure

A pre study conducted by the researcher from 2NK SACCO records revealed that there are 3 senior management staff members in each of the three offices; Nyeri, Karatina and Nairobi offices; office attendants are 5 in Nyeri, 3 in Karatina and 9 in Nairobi. In addition the SACCO had an estimated active membership of 276 matatu vans and 4 buses. Since the study involved a large population, a sample consisting of 10.74% the population was selected by stratified sampling: This was because for large populations, a sample size of 10% is considered representative enough according to Mugenda and Mugenda (1999). Table 3.1 shows the sample strategy for the study.
Table 3.1: Sampling strategy

<table>
<thead>
<tr>
<th>Strata</th>
<th>Town</th>
<th>Number in sample</th>
<th>% representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office attendant staff</td>
<td>Nyeri</td>
<td>2</td>
<td>2.17</td>
</tr>
<tr>
<td></td>
<td>Karatina</td>
<td>1</td>
<td>1.09</td>
</tr>
<tr>
<td></td>
<td>Nairobi</td>
<td>3</td>
<td>3.27</td>
</tr>
<tr>
<td>Matatu Crew</td>
<td>Nyeri</td>
<td>16</td>
<td>20.65</td>
</tr>
<tr>
<td></td>
<td>Karatina</td>
<td>12</td>
<td>13.04</td>
</tr>
<tr>
<td></td>
<td>Nairobi</td>
<td>29</td>
<td>31.5</td>
</tr>
<tr>
<td>Vehicle owners</td>
<td>Nyeri</td>
<td>8</td>
<td>8.70</td>
</tr>
<tr>
<td></td>
<td>Karatina</td>
<td>6</td>
<td>6.52</td>
</tr>
<tr>
<td></td>
<td>Nairobi</td>
<td>15</td>
<td>16.30</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>92</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Researcher (2011)

3.4 Research Instruments

Three types of research instruments were used for the study namely; questionnaires, interview schedules and document analysis. The questionnaires were administered to 2NK SACCO office attendants, matatu crew and the vehicle owners. Interview schedule was used in collecting data from the senior-management staff of 2NK SACCO branches. Document analysis was conducted in the 2NK SACCO offices by scrutinizing the
documents in the various 2NK offices in Nairobi, Karatina and Nyeri where quantitative information about the performance of the SACCO was gathered.

3.5 Data Collection Procedure

On securing authority to collect data for the study, the researcher circulated questionnaires to the SACCO office attendant staff, matatu crew and vehicle owners. The researcher scheduled interviews with all the senior management staff of 2NK SACCO in each of the three offices. Document analysis was carried out in the three towns Nyeri, Karatina and Nairobi 2NK offices where documents showing the trend in the performance of the SACCO were gathered.

3.6 Data Analysis

The study being descriptive required descriptive analytical methods which included percentages and inferential statistics which include correlation analysis. To enhance clarity, the results were presented in tables, charts and graphs. The data analysis software (SPSS) was used in analyzing the data. The rest of the data gathered through interview and document analysis was instrumental in facilitating drawing of conclusions and recommendations as well as clarifying issues not adequately addressed by the questionnaires.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction.

This chapter presents the findings under the research questions that guided the study. The study was of descriptive nature and thus the data was largely analyzed using percentages, means and standard deviation and presented using descriptive methods; that is, pie charts, bar graphs and tables.

4.2 Response Rate

Out of the 92 questionnaires that were administered, 87 of them were received back. This accounted for 94.56% percent response rate. The questionnaires that were not returned were from those from the respondents who were not present when the researcher collected the questionnaires. This level of response rate is considered sufficient for the study.

4.3 Sample Demographics

This section examines the characteristics of the sample of the study. This includes gender, age, years of experience in the SACCO, education background, and the role played in the SACCO.
4.3.1 Gender of the Respondents

The respondents were required to state their gender and the findings were as shown in figure 4.1.

Research findings revealed that majority of the respondents (77%) were male while only 33% of the respondents were female. This indicates that there was no gender parity in the membership to the Sacco with men constituting the major portion.

4.3.2 Age of the Respondents

On the age of the respondents, figure 4.2 summarizes the responses obtained.
According to the study findings majority of the respondents were aged below 25 years, 28% between 26-35 years, 11% between 36-45 years, 14% between 46-55 years and only 5% of the respondents are aged more than 56 years. This indicates that majority of the stakeholders of the SACCO are the youth according to the definition of youth by the Ministry of Youth Affairs and Sports.

4.3.3 Extent of satisfaction with the SACCO management

The study sought to establish the level of satisfaction of the SACCO members with the management style of the organization. The responses obtained were as presented in figure 4.3.
Figure 4.3 Extent of satisfaction with the SACCO management
Source: Survey Data (2012)

As displayed in figure 4.3 on the extent of satisfaction with the SACCO management style, all the respondents are satisfied with the management of the SACCO with 60% to a great extent, 38% to a very great extent and 7% to a moderate extent. This implies that the management style adopted by the SACCO is considered appropriate by most of the SACCO stakeholders.

4.3.4 Role played in 2NK SACCO

The study sought to establish the nature of the role played by the respondent in the SACCO. The findings were as summarized in table 4.1.
The findings indicated that majority of the stakeholders of the SACCO were the matatu crew (62.1%) followed by SACCO employees (23%) and vehicle owners only make up 14.9% of the SACCO stakeholders. The findings there indicated that the SACCO has created employment to a large number of youths as matatu crew as well as employees of the SACCO.

4.3.5 Highest education level reached

In the questionnaire, the respondents were required to indicate the highest level of education achieved. The findings were as tabulated in table 4.2.

The results indicated that majority of the respondents had attained the basic level of education. In addition, 42.5% of the target group had either certificates or diplomas. However, those with degrees did not seem to favour this type of business since only a
paltry 2.3% indicated to having reached that level of education. This indicates that majority of the SACCO stakeholders have poor educational background.

4.3.5 Length of service at the SACCO

Finally, the study sought to find out the length of service of the respondent at the SACCO. The findings were as tabulated in table 4.3.

<table>
<thead>
<tr>
<th>Table 4.3 Length of service at the SACCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Table 4.3 shows that majority of the respondents (64.4%) have served in the SACCO for periods less than 3 years and only 6.9% have served in the SACCO for more than 10 years. This indicates that the SACCO commands a good reputation and attracts membership even in the current. Since the sample selected was representative, the characteristics of the respondents represent the characteristics of the SACCO stakeholders. The findings of the study indicate that majority of the SACCO stakeholders are largely youthful males with poor educational background. The findings also reveal that majority of the beneficiaries of the SACCO are matatu crew indicating that the SACCO has employed a large number of youths.
4.4 Stakeholder Management

A huge number of empirical studies (Orlitzky et al., 2003; Waddock and Graves, 1997) explored the relationships between stakeholder management and competitive advantage. However, the studies according to McWilliams and Siegel, 2000; Margolis and Walsh, 2003), fail to show the clear relationship between stakeholder management and creation of competitive advantage. The current study sought to examine the relationship if any that exists between stakeholder management and creation of a competitive edge.

4.4.1 Effect of SACCO management style on stakeholder expectations

The study sought to determine the effect of the management style on the stakeholder expectations. The findings were as tabulated in table 4.4.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very positively</td>
<td>30</td>
</tr>
<tr>
<td>Positively</td>
<td>45</td>
</tr>
<tr>
<td>Negatively</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

As displayed in table 4.4, majority of the respondents (86.2%) cumulatively were of the opinion that the SACCO management style affect stakeholder expectations positively (51.7% positively and 34.5% very positively) and only 13.8% of the respondents felt that the SACCO management style affects stakeholder expectations negatively. The findings therefore indicated that the management style adopted by an organization affects stakeholder’s expectation. The findings concur with the findings of a study by
McWilliams and Siegel (2000) on effect of management style on stakeholder’s expectations and the ability of an organization to create a competitive advantage.

On further investigation, the researcher sought to establish the frequency at which the management of the SACCO makes prudent decisions in the opinion of the respondents.

The findings were as summarized in table 4.5.

**Table 4.5 Frequency of the SACCO management making prudent decisions**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td>34</td>
</tr>
<tr>
<td>Very often</td>
<td>40</td>
</tr>
<tr>
<td>often</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

All the respondents felt that the SACCO management make prudent decisions (40% very often, 34% always and 13% often) indicating that all the respondents (stakeholders) were satisfied with the decision-making systems in the SACCO.

### 4.4.2 Stakeholder Satisfaction

The study sought to establish the extent to which the stakeholders were satisfied with the roles they play in the SACCO, the benefits they draw from the SACCO, and their confidence in the performance of the SACCO.

On the adequacy of the benefits the stakeholders draw from the SACCO, the study findings revealed that As displayed in table 4.6, all the respondents felt that the rewards they get from the roles they play in the SACCO are adequate (Great extent 62.1%, very
great extent 25.3% and moderate extent 12.6%) indicating that all the stakeholders are satisfied with the benefits they reap from the SACCO for the various roles they play. Table 4.2 displays the findings vividly.

**Table 4.6 Adequacy of the rewards from the role played in the SACCO**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very great extent</td>
<td>22</td>
</tr>
<tr>
<td>Great extent</td>
<td>54</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

When asked to rate their level of satisfaction with their involvement in the running of the SACCO, majority of the respondents expressed satisfaction with their involvement in the running of the SACCO (satisfied 55.2% and very satisfied 16.1%), 20.7% are neutral while 8% are unsatisfied with their involvement in the running of the SACCO affairs. Table 4.7 summarizes the findings obtained by the study.

**Table 4.7 Satisfaction with the involvement in the running of the SACCO**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very satisfactory</td>
<td>14</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>48</td>
</tr>
<tr>
<td>Neutral</td>
<td>18</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Further, the study sought to determine the stakeholder confidence with the management and the performance of the SACCO. This was done by asking the respondents to state their likelihood of investing more resources with the SACCO. The findings were summarized in table 4.8.
Table 4.8 Likelihood of investing more in the SACCO

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very likely</td>
<td>36</td>
<td>41.4</td>
</tr>
<tr>
<td>Likely</td>
<td>47</td>
<td>54.0</td>
</tr>
<tr>
<td>Unlikely</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

As displayed in table 4.8, majority of the respondents (stakeholders) were likely to invest more (54% likely and 41.4% very likely) and only 4.6% of the respondents were unlikely to invest more in the SACCO. The findings therefore indicate that the stakeholder confidence on the performance of the SACCO was high thus the stakeholders perceive the SACCO to be doing well and are headed in the right direction.

The study findings largely agree with the findings of studies in this area (Hillman and Keim, 2001; Halme and Laurila, 2009) which provided more fine-grained contributions by distinguishing the impact of different ways of ensuring stakeholder management on financial performance and the effect of the relationship between the sign and the intensity of the stakeholder management and competitive advantage relationship. All the studies reported strong correlation between positive stakeholder perception and prudent stakeholder management and ability to build competitive advantage. On the basis of the concurrence between the findings of the current study and the previous studies on the relationship between stakeholder management and competitive advantage, the current study attributes the success of 2NK to effective stakeholder management.
4.5 Firm’s Propensity to Innovation

The current study sought to establish whether there is any relationship between SACCO’s ability to develop and implement innovations and their ability to build a competitive advantage.

4.5.1 Innovative Strategies Adopted by the SACCO

The researcher sought to determine the nature of the strategies adopted by the SACCO. The findings were as summarized in table 4.9.

Table 4.9 Valued innovative strategy adopted by the SACCO

<table>
<thead>
<tr>
<th>Innovative Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening up of new matatu routes</td>
<td>12</td>
<td>13.8</td>
</tr>
<tr>
<td>New capacity vehicles</td>
<td>44</td>
<td>50.6</td>
</tr>
<tr>
<td>Credit schemes and policies</td>
<td>23</td>
<td>26.4</td>
</tr>
<tr>
<td>Diversification to other services</td>
<td>8</td>
<td>9.2</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

The findings indicated that the SACCO has developed and implemented a wide range of innovative strategies. These include opening up new matatu routes, introducing new capacity vehicles, introducing credit schemes to the members and diversifying to other services including parcel delivery services. On further investigation, it was found that the most favoured of the innovative strategies is introduction of new capacity vehicles as displayed in table 4.9 whereby the majority of the respondents (50.6%) felt that introduction of new capacity vehicles as the most innovative strategy, 26.4% as the credit schemes and policies, 13.8% as the opening up of new matatu routes and only...
9.2% of the respondents felt that diversification to other services such as parcel delivery as the valuable innovative strategies adopted by the SACCO.

4.5.2 Impact of Innovations on SACCO’s Success

The researcher further sought to establish the impact of innovations on the success of the SACCO. Table 4.10 summarizes the findings of the study.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid No</td>
<td>26</td>
</tr>
<tr>
<td>Yes</td>
<td>45</td>
</tr>
<tr>
<td>Not sure</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents (51.7%) felt that innovations have an impact on the success of the SACCOs and only 29.9% of the respondents were not sure about the relationship between innovations and success of SACCOs.

4.5.3 Potential of the SACCO to come up with effective innovations

Innovative strategies are only useful to an organization when the organization has adequate capacity to generate and develop them. The study sought to find out the extent to which the SACCO is able to generate and develop the innovative strategies. Table 4.11 summarizes the findings of the study.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Very high</td>
<td>19</td>
</tr>
<tr>
<td>High</td>
<td>62</td>
</tr>
<tr>
<td>Moderate</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)
Majority of the respondents felt that the SACCO has a potential of coming up with effective innovations (High 71.3% and 21.8% very high) and only 6.9% of the respondents were of the opinion that the SACCO has a moderate potential to come up with effective innovations.

4.5.4 Impact of Innovations on Improved Performance

The researcher further sought to determine the impact of the innovations on the performance of a SACCO. Table 4.12 summarizes the findings of the study.

Table 4.12 Impact of Innovations on Improved Performance

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very great extent</td>
<td>60</td>
</tr>
<tr>
<td>Great extent</td>
<td>25</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

All the respondents (98.7%) of the respondents were of the opinion that innovations impact on the improved performance of the SACCO (to a very great extent 89% and to a great extent 28.7%) and only 2.3% of the respondents felt that innovations have a moderate impact on the improved performance of the SACCO.

4.5.5 Openness of the SACCO management to adoption of innovations

Innovative strategies developed can only benefit an organization if the management of the organization is open and willing enough to put them in place. The researcher sought to establish the extent to which the 2NK management is open to adopt innovations. The findings of the study were as tabulated in table 4.13.
Table 4.13 Openness of the SACCO management to adoption of innovations

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very great extent</td>
<td>34</td>
</tr>
<tr>
<td>Great extent</td>
<td>52</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents were of the opinion that the SACCO management is open to adoption of innovations (59.8% to a great extent and 39.1% to a very great extent) and only 1.1% of the respondents felt that that the management is moderately open to adoption of innovations.

4.5.6 Capacity of the management to effect innovations

On the capacity of the management to effect innovations, the researcher asked the respondents to, in their opinion rate the capacity of the management to put in place innovations. Table 4.14 summarizes the responses obtained.

Table 4.14 Capacity of the management to effect innovations

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Very high</td>
<td>12</td>
</tr>
<tr>
<td>High</td>
<td>67</td>
</tr>
<tr>
<td>Moderate</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents (91.8%) were of the opinion that the SACCO management has adequate capacity to effect innovations and only 9.2% of the respondents feel that the SACCO management has moderate capacity to effect innovations.
The findings of the study on the relationship between the propensity to innovation and ability to build competitive advantage, the study findings concur with the findings of the previous studies (Cook, 1998 and Mc Adam and McClelland, 2000) which advocated creativity as an element of competitive advantage for organizations and held that most profitable new products will be those that meet the customer needs more effectively than the competitor’s products, and are therefore preferred by more customers. The current study and the previous studies reviewed (Cook, 1998 and Mc Adam and McClelland, 2000) agree to the fact that innovation and creativity benefit companies beyond direct sales growth or efficiency improvements and assert that a company that establishes an effective creativity and innovation process is also likely to realize social benefits that arise from management approval and capacity to implement innovations (Cook, 1998). On the basis of the findings of the current study viz a viz those of the past studies, the study attributes the success of 2NK Sacco to development and adoption of innovations and inventions.

4.6 Firm’s Organizational Culture

Base on the overriding question in the field of management on “what is the impact of culture on business performance?”, The current study sought to examine whether there is any relationship between the organization culture and the ability of SACCOs to create a competitive edge.

4.6.1 Presence of a written vision statement

A written vision and mission ideally guides an organization towards the expected norms and standards of conduct and behaviour for a given community or organization. The
researcher sought to establish whether or not 2NK SACCO subscribes to a written vision statement. The responses obtained were as tabulated in table 4.15.

### Table 4.15 Presence of a written vision

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>79</td>
<td>90.8</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>9.2</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the SACCOs (90.8%) have a written vision statement and only 9.2% of the SACCOs do not have one. The findings therefore indicate that the presence of a written vision statement is well within the domain of the respondents who were representative of the stakeholders of the SACCO.

#### 4.6.1 Strategic plan and stakeholder welfare

Further, the study sought to determine the extent to which the strategic plan and the vision statement addresses the plight of the stakeholders. The findings of the study were as presented in table 4.16.

### Table 4.16 Extent of the strategic plan in addressing the plight of stakeholders

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>40</td>
<td>46.0</td>
</tr>
<tr>
<td>Great extent</td>
<td>28</td>
<td>32.2</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>11</td>
<td>12.6</td>
</tr>
<tr>
<td>Low extent</td>
<td>8</td>
<td>9.2</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)
Majority of the respondents (78.2%) cumulatively were of the opinion that the strategic plan largely addresses the plight of the stakeholders (46% to a very great extent and 32.2% to a great extent), 12.6% felt that it addresses the plight of the stakeholders to a moderate extent and 9.2% to a low extent.

4.6.2 SACCO subscription to its organizational culture

An organization culture can only influence the performance and the ability of an organization to build competitive advantage if the organization completely subscribes to it. The study sought to establish if, in the opinion of the respondents 2NK SACCO subscribes to its organization culture as prescribed in the vision statement and the strategic plan. The findings of the study were as presented in table 4.17.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>81</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents were of the opinion that majority (93.1%) felt that the SACCO subscribes to its organizational culture and only 6.9% of the respondents were of the opinion that the SACCO does not subscribe to its organizational culture.

4.6.3 Influence of strategic plan on SACCO performance

The researcher sought to establish the opinion of the respondents about the extent of the influence of the strategic plan on the SACCO performance. Table 4.18 summarizes the findings obtained.
Table 4.18 Extent of influence of strategic plan on SACCO performance

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>8</td>
</tr>
<tr>
<td>Great extent</td>
<td>46</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>27</td>
</tr>
<tr>
<td>Low extent</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents (93.1%) felt that organization culture affects SACCO performance (9.2% to a very great extent, 52.9% to a great extent and 31% to a moderate extent) and only 6.9% of the respondents were of the opinion that organizational culture affects SACCO performance to a low extent.

4.6.4 Influence of organization culture on competitive advantage

The study sought to find out the extent to which organizational culture influences the achievement of a competitive advantage. The findings of the study were as tabulated in table 4.19.

Table 4.19 Extent of influence of organization culture on competitive advantage

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>14</td>
</tr>
<tr>
<td>Great extent</td>
<td>32</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>35</td>
</tr>
<tr>
<td>Low extent</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

Majority of the respondents (91.1%) felt that organizational culture influences the ability of an organization to create a competitive edge (14.1% to a very great extent, 46.8% to a great extent and 20.2% to a moderate extent) and only 8.9% of the
respondents felt that the organization culture influences ability to create a competitive edge to a low extent.

The findings of the study therefore indicates that majority of the SACCOs have a written vision statement. Further, majority of the respondents were of the opinion that the strategic plan largely addresses the plight of the stakeholders. Majority of the respondents were of the opinion that majority felt that the SACCO subscribes to its organizational culture. On the extent of the influence of the organizational culture on the SACCO performance, majority of the respondents felt that organization culture affects SACCO performance. On the extent of influence of organizational culture on the creation of a competitive advantage, majority of the respondents felt that organizational culture influences the ability of an organization to create a competitive edge.

The findings of the study concur with those of Calori and Sarnin (1991) in their field study examining the link between corporate culture and economic performance and found that norms and cultural attributes appeared to be correlated to firm growth, while the correlation between profitability and cultural attributes was less significant. They also agree with Webster (1993) who found a significant relationship between service firm marketing culture, measured along six dimensions, and firm profitability.

4.7 Correlations among the study variables

The study sought to examine the relationships between the variables under study; that is stakeholder management, innovations and organization culture and the ability to create
a competitive edge. This was achieved using Spearman Rank Order and Pearson correlation coefficients. The findings of the study were as summarized in tables 4.20.

Table 4.20 Correlations among variables of study.

<table>
<thead>
<tr>
<th>Extent of stakeholder satisfaction with the SACCO management</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likelihood of investing more in the SACCO</td>
<td>.264(*)</td>
<td>.014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Openness of the SACCO management to adoption of innovations</th>
<th>Spearman's rho</th>
<th>Likelihood of investing more in the SACCO</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACCO subscription to its organizational culture</td>
<td>.083</td>
<td></td>
<td>.197(*)</td>
</tr>
</tbody>
</table>

Source: Survey Data (2012)

On stakeholder management, as displayed in table 4.20, the correlation between stakeholder management and ability to create competitive edge is positive \((r=0.264)\) and significant \((p=0.014\) greater than \(a=0.005\)). This indicates that effective stakeholder management enables the SACCO to create a competitive edge. In the study, effective stakeholder management contributes 6.97\% \((r^2=0.0697)\) of the ability of the SACCO to create a competitive edge.
On innovations, as displayed in table 4.21, the correlation between innovations and ability to create competitive edge is weakly positive ($r=0.083$) and not significant ($p=0.004$ less than $\alpha=0.005$). This indicates that ability to come up and adopt new innovations enables the SACCO to create a competitive edge although to a small extent. In the study, effective stakeholder management contributes 0.689% ($r^2=0.00689$) of the ability of the SACCO to create a competitive edge.

On organization culture, as displayed in table 4.22, the correlation between nature of organization culture and ability to create competitive edge is positive ($r=0.197$) and significant ($p=0.033$ greater than $\alpha=0.005$). This indicates that effective organization culture enables the SACCO to create a competitive edge. In the study, effective organizational culture contributes 3.88% ($r^2=0.0388$) of the ability of the SACCO to create a competitive edge.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter addresses the summary and discussion of the findings of the study in relation to the objectives outlined in chapter one. It also presents the conclusion of the study together with the recommendations of the researcher based on the findings.

5.2 Summary
The findings of the study indicate that majority of the SACCO stakeholders are largely youthful males with poor educational background. Further, the study revealed that majority of the beneficiaries of the SACCO is the matatu crew indicating that the SACCO has employed a large number of youths.

The study also found that the SACCO management style affects stakeholder expectations positively with all the respondents feeling that the SACCO management makes prudent decisions indicating satisfaction of the stakeholders with the decision-making systems of the SACCO. Further, all the respondents felt that the rewards they get from the roles they play in the SACCO are adequate indicating that all the stakeholders were satisfied with the benefits they reap from the SACCO for the various roles they play. On their involvement in the running of the SACCO affairs, majority expressed satisfaction with their level of involvement in the running of the SACCO affairs. Finally, the study sought to establish the confidence that the stakeholders have
on the performance of the SACCO. This was done through finding out whether the stakeholders were willing to invest more in the SACCO. Majority of the respondents (stakeholders) expressed likelihood of investing more in the SACCO indicating high stakeholder confidence on the performance of the SACCO. The findings of the study hence pointed out that stakeholder management is effective in that it cultivates confidence in the performance and the perceptions of the stakeholders on the running of the SACCO. This is likely to play a crucial role of creating a competitive edge for the SACCO against the competitors in the industry.

Further, the study findings indicated that majority of the respondents felt that introduction of new capacity vehicles as the most effective innovative strategy that has been adopted by the SACCO. Majority of the respondents felt that innovations have an impact on the success of the SACCOs. On the potential of the SACCO to come up with effective innovations, majority of the respondents felt that the SACCO has a potential of coming up with effective innovations. All the respondents were of the opinion that innovations impact on the improved performance of the SACCO. Majority of the respondents were of the opinion that the SACCO management is open to adoption of innovations. On the capacity of the SACCO management to effect innovations, majority of the respondents were of the opinion that the SACCO management has adequate capacity to effect innovations.
Finally, the study revealed that, the SACCO has a written vision statement and that the strategic plan largely addresses the plight of the stakeholders. Majority of the respondents were of the opinion that the SACCO subscribes to its organizational culture. On the extent of the influence of the organizational culture on the SACCO performance, majority of the respondents felt that organization culture affects SACCO performance. On the extent of influence of organizational culture on the creation of a competitive advantage, majority of the respondents felt that organizational culture influences the ability of an organization to create a competitive edge.

On the correlation among the variables of study, first, it was found out that the correlation between stakeholder management and ability to create competitive edge was positive and significant indicating that effective stakeholder management enables the SACCO to create a competitive edge. Secondly, it was found out that the correlation between innovations and ability to create competitive edge was weakly positive and not significant indicating that the ability to come up with and adopt new innovations enables the SACCO to create a competitive edge although to a small extent. Finally, the correlation between nature of organization culture and ability to create competitive edge was positive and significant indicating that effective organization culture enables the SACCO to create a competitive edge.
5.2 Conclusion

The study sought to analyze the factors influencing the achievement of competitive edge by SACCOs in Kenya. This was be done by focusing on 2NK SACCO; which falls under the public transport sector and which has been performing relatively well despite the stiff competition among other SACCOs in the sector. The study will sought to establish the effect of stakeholder management on the creation of competitive advantage, evaluate the effect of firm’s propensity to innovations and changes on creation of competitive advantage and also to establish the influence of organizational culture on creation of competitive advantage. The study adopted a descriptive research design and targeted a population of 17 management staff and employees of 2NK SACCO, 280 matatu owners and 560 matatu crew members. Stratified sampling was applied to select 10.74% of the population to be used for the study. Three types of research instruments were used for to collect data; questionnaires, interview schedules and document analysis. The questionnaires were administered to 2NK SACCO office attendants, matatu crew and the vehicle owners. Interview schedule were used in collecting data from the senior management staff of 2NK SACCO branches while document analysis was conducted in the 2NK SACCO offices by scrutinizing the documents in the various 2NK offices in Nairobi, Karatina and Nyeri where quantitative information about the performance and the growth of the SACCO in a membership and services offered. The study being descriptive used descriptive analytical methods which included percentages and correlation analysis. To enhance clarity, the results were presented in tables, charts and graphs. The data analysis software (SPSS) will be used in
analyzing the data. The rest of the data gathered through interview and document analysis was found to be instrumental in facilitating drawing of conclusions and recommendations as well as clarifying issues not adequately addressed by the questionnaires.

The study found that, first, the correlation between stakeholder management and ability to create competitive edge was positive and significant indicating that effective stakeholder management enables the SACCO to create a competitive edge. Secondly, it the correlation between innovations and ability to create competitive edge was weakly positive and not significant indicating that the ability to come up with and adopt new innovations enables the SACCO to create a competitive edge although to a small extent. Finally, the correlation between nature of organization culture and ability to create competitive edge was positive and significant indicating that effective organization culture enables the SACCO to create a competitive edge.

The findings of the study will be useful to the SACCO management who will gain strategic insights which may help to improve their SACCOs cultivate a competitive advantage through effective stakeholder management, adoption of strategic innovations and subscription to favourable organization culture. The managers will be able to understand the factors that affect creation of a competitive edge as well as ensuring that the stockholder's interests are not compromised. Further, the study will bridging the knowledge gaps existing on the creation of competitive advantage and thus be
instrumental to future researchers as it will form a basis for understanding the factors that affect creation of competitive advantage as well as informing future policy making concerning formulation of laws governing the operation of SACCOs.

5.3 Recommendations

Based on the findings of the study, the following recommendations can be made:

First, the SACCOs and other business organizations should effect sound systems of stakeholder management which should include stakeholder analysis, analysis and evaluation of various stakeholder interests and attempt to balance them. This will create win- win situations for all the stakeholders thereby encouraging their contribution and support of the activities of the organizations. Consequently, this will increase the quantity of resources available to the organization and thus create a competitive advantage against the competitors.

Secondly, organizations should build their capacity to come up with sound innovations and also embrace up to date methods of production. This will require increase in the volume of resources allocated to research and development resulting in strategic products and diversifications. Consequently, this will lower their cost of operation as well as opening of other revenue streams and thus bar new entrants into the industry and boost their market share.
Finally, organizations need to cultivate and subscribe to effective organization culture through formulation of core values, guiding principles, standards of operations as well as subscription to best practices of operation. The organization culture will guide the staff and other stakeholders in the roles they play for the organization since it will spell out clearly the aspirations and expectations of the management from them thereby not only creating cohesion among the stakeholders but also inspire them to work towards achieving the set objectives and abide by the expectations of the organization. Consequently, this will boost the morale and the productivity of the stakeholders and enable the organization create and maintain a competitive advantage against the rivals in the market.
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Mackey, A., Mackey, T.B. and Barney, J.B. (2007). “Corporate social responsibility


Appendix I

QUESTIONNAIRE

(To the SACCO staff, Matatu crew and vehicle owners)

This questionnaire is aimed at collecting data about the factors influencing achievement of competitive advantage by SACCOs in Kenya.

All the information will be used for the purpose of the study only and will be treated with uttermost confidence. Kindly respond to all the questions as honestly as possible.

Your co-operation will be highly appreciated.

Instructions

Kindly use tick (✓) inside the boxes to indicate correct answer(s) where the answers are given in choices.

SECTION A: DEMOGRAPHIC INFORMATION

1. What is your gender? Male ( ) Female ( )

2. Which of the following best describe your role in 2NK SACCO?
   SACCO employee ( ) Matatu crew ( ) Vehicle owner ( )

3. Which of the following best describes your age?
   Below 25 years ( ) 26-35 years ( ) 36-45 years ( ) 46-55 years ( ) Above 56 years ( )

4. What is your highest education level reached?
   Below O-level ( ) Certificate ( ) Diploma ( ) Degree ( )
   Others (Specify)
5. For how long have you played the role you currently play in the SACCO?

Less than a year ( ) 1-3 years ( ) 3-5 years ( ) 5-10 years ( )

More than 10 years ( )

SECTION B: STAKEHOLDER MANAGEMENT

6. To what extent does the way the SACCO is managed meet your expectations?

Very Great Extent ( ) Great Extent ( ) Moderate Extent ( ) Low Extent ( )

7. How does the style of the management of the SACCO affect your commitment to it?

Very positively ( ) Positively ( ) Negatively ( ) Very negatively ( )

8. In your own opinion, how often does the SACCO management make prudent decisions?

Always ( ) Very often ( ) Often ( ) Rarely ( ) Very rarely ( )

Never ( )

9. To what extent do you feel that the role you play in the SACCO is adequately rewarded?

Very Great Extent ( ) Great Extent ( ) Moderate Extent ( ) Low Extent ( )

10. How can you rate your satisfaction with the way you are involved in the running of the SACCO?

Very satisfactory ( ) Satisfactory ( ) Neutral ( ) Unsatisfactory ( )

Very unsatisfactory ( )

11. If you had more resources, how likely is it that you would invest in the SACCO?

Very likely ( ) Likely ( ) Unlikely ( ) Very unlikely ( )
12. What about the SACCO do you like:

(i) Most

(ii) Least

What suggestions can you make on how the management of the SACCO can be improved?

SECTION C: PROPENSITY TO INNOVATIONS AND CHANGES

13. Which innovative strategy in the SACCO do you value most?

   a) Opening up of New Matatu routes   

   b) New capacity vehicles

   c) Credit schemes and policies

   d) Diversification to other services (e.g. parcel delivery)

   Others (Specify)

14. Can you attribute the success of the SACCO to the nature of innovations it has so far put in place?

   YES   (   )   NO   (   )
15. In your own opinion how can you rate the ability of the SACCO to come up with effective innovations?

   Very high (  ) High (  ) Moderate (  ) Low (  ) Very Low (  )

16. To what extent do you think the SACCO can perform better if more innovations were put in place?

   Very Great Extent (  ) Great Extent (  ) Moderate Extent (  ) Low Extent (  )

17. To what extent do you think the current SACCO management is open to adoption of changes and innovations?

   Very Great Extent (  ) Great Extent (  ) Moderate Extent (  ) Low Extent (  )

18. In your own opinion, how can you rate the SACCO's capacity to effect innovations?

   Very high (  ) High (  ) Moderate (  ) Very low (  )

SECTION D: ORGANIZATIONAL CULTURE

19. Does your SACCO have the following?

   (i) Strategic plan YES (  ) NO (  )
   (ii) Written vision YES (  ) NO (  )
   (iii) Written mission statement YES (  ) NO (  )
   (iv) Written core values YES (  ) NO (  )

20. In your own opinion, to what extent does the strategic plan for your SACCO address the plight of the stakeholders?

   Very Great Extent (  ) Great Extent (  ) Moderate Extent (  ) Low Extent (  )
Appendix II

INTERVIEW GUIDE

(To the Senior Management staff)

1. Which category of stakeholders exerts greatest influence on the performance of the SACCO?

2. What is the nature of influence exerted by the stakeholder(s)?

3. How often do you succeed mitigating against negative influence of stakeholders?

4. From your own experience, how often do conflicts among the stakeholders arise?

5. To what extent do the conflicts adversely affect the performance of the SACCO?

6. Which conflict resolution strategies does the SACCO engage in resolving conflicts with stakeholders?

7. What has been the SACCO’s trend in the following:
   a) Market share?
   b) Membership?
   c) Membership contributions?
   d) Volume of loans to members?

8. Which competitive strategies would you attribute to the success of the SACCO against its competitors?

9. What factors in your opinion help the SACCO build competitive advantage?

10. In your own estimation what portion of the market does the SACCO command in the region?
## Appendix III

### DOCUMENT ANALYSIS SCHEDULE

<table>
<thead>
<tr>
<th>DOCUMENT</th>
<th>DATA</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle fleet file</td>
<td>Numbers and types of vehicles operating under the SACCO</td>
<td>2NK offices</td>
</tr>
<tr>
<td></td>
<td>Growth in the numbers of the vehicles in the fleet</td>
<td></td>
</tr>
<tr>
<td>Matatu routes File</td>
<td>Numbers and nature of routes served by the vehicles operating under 2NK, Growth in the number of routes.</td>
<td>2NK offices</td>
</tr>
<tr>
<td>SACCO members File</td>
<td>Number of 2NK members and the trend of growth in membership</td>
<td>2NK offices</td>
</tr>
<tr>
<td>Members Shares contributions File</td>
<td>Quantity of members share contributions and the trend of growth in the volume of the shares contributions</td>
<td>2NK offices</td>
</tr>
<tr>
<td>Loans disbursed File</td>
<td>Volume of loans disbursed to the SACCO members and the trend of growth.</td>
<td>2NK offices</td>
</tr>
<tr>
<td>Loan servicing File</td>
<td>Schedules of servicing loans.</td>
<td>2NK offices</td>
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</tbody>
</table>