STRATEGIC MANAGEMENT FACTORS AFFECTING PERFORMANCE OF DEPOSIT TAKING SACCOS IN MACHAKOS SUB -COUNTY

BY

DOROTHY MUMO MULEI

This Dissertation is Submitted to the Faculty of Business in Partial Fulfillment of the Requirements for the Award of a Master of Business Administration of St. Paul's University.

August, 2019

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Supervisors: Dr. Julius Kahuthia Mwangi

Dr. John Muhoho

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DECLARATION

This Dissertation is a product of my own work. It has not been submitted to any other institution in the past. I agree that this dissertation may be used for reference and photocopying, at the discretion of the university.

SIGNATURE OF STUDENT _____DATE _____

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We confirm that the work reported in this Dissertation was carried out by the student under our supervision.

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DEDICATION

I dedicate this dissertation to my dear husband Meshack Mutinda Musyoki for his overwhelming support, encouragement, love and guidance during this time of study.

I also dedicate this piece of scholarly work to my children Natalie, Nicole and Clara for their understanding during the course of the research.

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ACRONYMS AND ABBREVIATIONS

ATM	Automated Teller Machine
BOD	Board of Directors
CA	Competitive Advantage
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
DT-SACCOs	Deposit Taking Sacco Societies
FOSA	Front Office Services Activities
ICT	Information and Communication Technology
KFA	Kenya Farmers Association
KUSCCO	Kenya Union of Saving and Credit Co-operatives
MTP11	Second Medium Term Plan
IRA	Insurance Regularity Authority

RBA	Retirement Benefits Authority
R&D	Research and Development
ROA	Return on Assets
SCA	Sustainable Competitive Advantage
SASRA	Sacco Societies Regulatory Authority
USA	United States of America
WOCCU	World Council of Credit Unions

DEFINATION OF TERMS

Corporate Social Responsibility-This is an obligation to advance societal welfare through flexible business practices and charities of company resources as well as activities that boost a firm's attractiveness and character (Du, Bhattacharya, & Sen, 2010).

Stakeholder-These are parties whose interests are linked with the organizations such as owners, investors, personnel, contractors, clients, government, societies and natural environment (O'shannassy, 2003)

Strategic Competitive Practice-Strategic competitive practice is an action geared towards implementing a value generating approach that cannot be executed concurrently by any probable opponents and one that competitors cannot duplicate it's benefits (Ruzita & Parnell, 2008).

Strategic Management-This is the process whereby managers establish a firm's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in line with all relevant internal and external circumstances (Thompson & Strickland, 2003).

Validity- An indication of the degree to which a tool measures what we expect it to measure and also measures the truth or accuracy of a research instrument (Beaglehole, Bonita, & Kjellstrom, 2006).

ABSTRACT

SACCOs have become very popular in communities therefore becoming an important part of the financial sectors in many countries. SACCOs however face a myriad of challenges coming from the ever-changing socio-economic landscape in the co-operatives and SACCO sector in the country and the increased competition from other financial players. The government of Kenya has invested well in policies and legislations that support SACCOs but despite this there is a significant number of SACCOs failing to meet their obligations. The study sought to investigate the strategic management factors that affect the performance of SACCOs. This study took place in Machakos sub-county which has 42 registered deposit taking SACCOs and studied the following objectives:-to determine the influence of management competency on performance of SACCOs, to examine the influence of corporate governance on performance of SACCOs in Machakos Sub- county, To examine the influence of ICT on performance of SACCOS ,to evaluate the influence of competitive strategies on performance of SACCOs in Machakos Sub - county and to come up with recommendations on ways to improve sustainability and high performance of SACCOs. The study was guided by agency theory which identifies well with corporate governance structure and stake holder's theory which identifies well with cooperatives which are serving the interests of varying stakeholders in society. The study adopted a descriptive survey research design. By use of questionnaires,42 respondents who comprised of chief executive officers and board of directors of the DT-SACCOs; who in this case were the target population, were interviewed. Data was collected using observation and key informant interviews. Simple random sampling was the main method of sampling techniques employed in this study. The findings will be significant to the scholarly world in that it has informed further research on strategic management practices affecting the SACCO sector and informed management of the SACCOs as it will act as a guide to setting up strategies of improving their performance. In conclusion the study recommends that SACCOs should ensure that their management teams possess the necessary competencies and skills so as to ensure high effectiveness and efficiency in their management work. From the findings the study further recommends that SACCOs should ensure proper structures are in place, invest in recent and efficient ICT applications and continuously formulate and implement strategies that can set them apart from their competitors and improve their profitability and sustainabili

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The competitive corporate environment in the twenty first century has led to difficulties and complexity of decision-making process in businesses which necessitates strategic management (Olanipekun ,2014). Management of different activities within the firm is only a portion of the work and responsibilities that a manager has to deal with. The second factor that poses a challenge to the manager is the environment that directly surrounds the organization. For the executive to effectively handle all the issues that influence the capacity of an organization to increase successfully the executive comes up with strategic management processes that give the organization a competitive edge in their environment. Strategic management is defined as the art of the possible, or: the match, within the universe of what a firm might do (environmental opportunities and threats), between what it wants to do (desired goals) and what it can do (organizational capabilities, capacities and constraints). This makes the alignment of organizational strategy and capability with conditions in the environment an important three-sided cornerstone of strategic management (Fiberesima & Rani, 2013).

Strategic procedures permit additional precise expectation of changes in the environment and enhanced readiness for reacting to unexpected internal and competitive demands (Fiberesima & Rani, 2013). Strategic management is an area of study that concerns itself with the key envisioned and developing ingenuities undertaken by the management team on behalf of the shareholders, concerning exploitation of capitals, to increase the success and sustainability of the firm in their exterior environments (Nag, Hambrick & Chen, 2007). It involves stipulating the organization's vision, mission, objectives and formulating plans and policies, every so often in terms of programs and projects, envisioned to attain these objectives, followed by allocating the necessary resources to implement the guidelines, strategies, missions and programs. Strategic management is a managerial activity of determining goals and tactics. It provides overall

direction to the enterprise. Strategic management is not only undertaken by the management team alone but also involves the board of directors and various stakeholders of the organization (Olanipekun,2014). The most important practice that differentiates organizations from each other in the globalization era is strategic management (Sharabati &Fuqaha, 2014). All organizations irrespective of their nature and capacities need to embrace the practice of strategic management so as to ensure they fit and survive in their environment. Strategic management allows for the logical management of change. It allows organization to purposefully mobilize resources towards a desired future. Practice of strategic management enables firms outline their approaches which offer a chief direction and purpose to its workforces and every so often to the outside world (Johnson & Scholes, 2013). Studies on strategic management factors that affect performance of organizations have emanated from the need to understand why some businesses succeed and others don't (Iravo & Munene, 2013).

Competitive strategies have been formulated and adopted by businesses as a way of responding to the current turbulent business environment so as to remain relevant (Peng, 2013). Organizations are capable of and often do form their environment besides reacting to it (Johnson & Scholes, 2013). Organizations that have failed to take into consideration the severe nature of these changes and not come up with good strategies to cope with the changes have closed down. The modification of business strategies into achievable outcomes which combine strategic, monetary and operating ideologies that measure the ability of a company to meet its goals are some of the key strategic management factors of performance (Mshenga & Owuor, 2009). So as to maximize on organizational performances strategic aspects of performance are carefully associated to specific strategies and value drivers and may consist of aspects such as an organization innate structures, innovations and management competencies. Due to the turbulent business environment that SACCOs operate in the policy makers and top management must continuously think and act strategically about the future of their organizations. The competitive and turbulent environment necessitates organizations to acknowledge and make use of their strengths and opportunities while at the same time countering their threats and overcoming their weaknesses (Pearce & Robinson, 2010). SACCOs must therefore have a sustainable competitive advantage (SCA) over their competitors so as to be successful. To deliver added customer value,

sustainability and attain strong differentiation, an organization should maximize on their internally distinguished strong points like managerial competencies (Kumba, 2011).

Managerial competencies contain a range of features required to accomplish some responsibilities explicit to organizational positions. The ownership and effective use of such capabilities aids effective staff management, which leads to the accomplishment of goals and targets by the organization. The growth of competencies is a lasting process which should be understood as a constant effort to advance one's skilled credentials (Witaszek, 2011). In this continuous growth process education and skill complement each other. However, occasionally they may wield undesirable effect upon the performance of tasks. On should always be careful that experience, in particular, does not affect the competencies through learned bad habits. An organization's core competencies form the internal strengths. Therefore, to achieve high performance; management which is very important in steering the organization forward needs to have the required competencies and capabilities that are unmatched by their industry rivals (Turek &Wojtczuk-Turek, 2006). Thus, having management with core competences turns out to be vital to competitive advantage. This is especially true in an era where existing business boundaries are been shifted by technology. Competencies enjoyed at the very roots of the organization lead to strategic advantage. Therefore, it is only through proficiency of numerous skills and a comprehensive command of their unlimited variety of users, a firm can achieve an extremely advantageous position (Brown & Davison, 2010). Managerial staff, who within their competencies delegate tasks striving towards increasing organization's profits, play a crucial role in every organization, regardless of its size or sector.

Corporate governance is one of the core practices that leads to success of organization. Corporate governance provides a set of rules, procedures, norms and values to be adhered to in the running of a business. It involves ensuring the interests of all stakeholders are taken into consideration. It encompasses every aspect of management, from planning and internal controls to evaluation and performance measurement and corporate disclosure. In the narrowest sense (Milton Fieldman, 1962) a management Guru and Nobel laureate well elaborated corporate governance as the manner in which an organizations operations and activities are carried out according to the

wishes or expectations of the shareholders which is basically to get considerable amounts of money as possible (shareholders wealth maximization).

Further, to succeed and have high performance, SACCOs have to invest in current and innovative technologies. Technology positioning proposes that customers desire goods and services of industrial dominance. This way of thinking argues that organizations dedicate their possessions to enable them attain innovative technologies, research and development, and utilize current manufacturing technologies (Voss & Voss, 2000). The frequency of technological change within an industry determines the technological orientation. If the rate of the level of technological turbulence is minimal, businesses are able to profit by depending on and taking advantage of their existing technologies. However, if the business environment is faced with frequent technological changes the worth and influence of previous technology very rapidly. This phenomenon forces firms to assign more capital to research and development, technological development and experimentation with innovative technologies; or else, the firms will be left behind or even close because of progressively obsolete technology. Thus, to cope with higher rates of technological changes a complex level of technology orientation is required to handle the changes. Incremental technological novelties aids in promoting a firm's competitiveness with the eventual intention of growing the worth of a firm (Luo, 2012).

It must however be noted that technological revolution deprived of equivalent levels of invention from all subdivisions of an organization expressively diminishes the paybacks of capitalizing in innovation (Gaynor, 2010). This research investigated how management competencies, technology, corporate governance and the formulation of competitive strategies affect the performance of SACCOS in Machakos sub-county.

1.1.1 Organizational performance

Financial information and data are still largely used to measure organizational performance for the reason of coordination and control (Atkinson & McCrindell, 1997). This has led to difficulties linking strategy, performance and organizational purpose. The linkage between the above three variables was attempted by Kaplan and Norton (1992, 1996) using their 'balanced scorecard' which led to the publishing of a paper titled 'Using the Balanced Scorecard as a

Strategic Management System' (*our emphasis*). Fitzgerald, Johnston, Brignall, Sivestro and Voss *(* 1991) and Kaplan and Norton (1996) determined that a wider range of information should be used to determine the performance of an organization. Ballantine and Modell *(*1998) and Kaplan and Norton (1996) pointed out the need to modify performance measures to tactic throughout different organizational actions and characteristics. Kaplan and Norton (1996) argued that their balanced scorecard was not made to replace financial measures: it was a complement. The four attributes of the scorecard are financial performance, customer satisfaction, internal business process, and learning and growth, which are consistent with Fitzgerald (1991) results (financial performance and competitiveness) and determinants (quality, flexibility, resource utilization and innovation). Financial performance is the outcomes of a firm's policies and operations in monetary terms.

Financial performance is the results of any of many different activities undertaken by an organization. This research studied how strategic management factors, that is management competency, competitive strategy, uptake of Information and communication technology and corporate governance affect the four attributes of the balanced scorecard.

1.1.2 Savings and Credit Cooperative

A Savings and Credit Cooperative (SACCO) is a type of cooperative whose main objective is to accumulate savings from the members and in turn provide them with credit facilities (Lari, 2009). SACCOs have a number of principles one of which is the idea in cooperative and voluntary association for the benefit of the community they serve. (KUSCCO 2006). Their most popular service is that of utilizing the little resources at their disposal which has enabled communities break from the cycle of poverty. SACCOS are the self-help, democratic, unique member driven financial co-operatives. The members are the owners of the SACCO and they govern and run the operations of the cooperatives.

The members in a SACCO could have one common characteristic which could be sharing an employer, belonging to the same religious group, social network group or producing and selling a common commodity. In addition, SACCOs have been seen to reach the rural poor that seem of little interest to banks (Branch, 2005). This has made SACCOs more desirable to communities and have become very popular as a source of financial services in different countries (Munyiri,

2006). The members decide to pool their savings and lend each other loans at attractive market interest rates. Loans are charged interest to cover for the cost of savings and administration cost. Since the SACCO belongs to the members, the members decide how their pooled resources will be utilized for the benefit of all while ensuring sustainability. Since the members who are the shareholders cannot all manage the company, they elect a board of directors who in turn appoint managers and employees who run the organization. Board of directors can be 5 to 9 in number. To ensure checks and balances the members also elect a supervisory committee to function as internal auditors (KUSCCO 2006).

The SACCOs, are one of the utmost significant and often noticeable features of cooperatives in Kenya. SACCOs mobilize savings and advance credit facilities making them differ in purpose and objectives from other types of cooperatives. Since mobilizing savings and offering of credit facilities is a core business of the financial sector, SACCOs are also often referred to as financial cooperatives, and are grouped with other financial intermediating cooperatives like housing and investments cooperatives. Due to their simple model the preference of SACCOs among the Kenyan communities has greatly increased (Mwaka ,2017).

Unlike other sectors, the Kenyan SACCO subsector is lawfully and by carrying out its processes separated into two sections; demarcated by the type of savings and deposits accumulated from members. The first part of the sector comprises of the deposit-taking SACCOs (DT-SACCOs), while the second section comprises of the non-deposit-taking SACCOs (*non-DT-SACCOs*) (SACCO Supervision Annual Report, 2017). The DT-SACCOs offer services that are similar to those given by banking institutions in that they take demand deposits, and give withdraw-able savings accounts services. They are the comparable to the Cooperative Banks in India, south Africa and parts of continental Europe or the Credit Unions in areas such as USA, UK, Canada, Latin Americas and Australia. In Kenya deposit-taking financial organizations comprise of the DT-SACCOs, the Microfinance Banks and commercial banks; with the first one being overseen and controlled by the Central Bank of Kenya, while the latter two are overseen and controlled by the Sacco Societies Regulatory Authority (SASRA).

The non-DT-SACCOs section mobilize savings (deposits) from their memberships which are strictly used as collateral for credit services offered to the members. The members can not

withdraw the deposits, but can only be reimbursed (minus any charges owed by the member) once the member decides to exit the SACCO. In Kenya the major non-deposit taking financial actors comprise of the Pensions; Insurance; and the Capital Markets segments which are overseen and controlled by the Insurance Regulatory Authority (IRA), the Capital Markets Authority (CMA) and the Retirement Benefits Authority (RBA) respectively.(The SACCO Supervision Annual Report, 2017,p.26) .It must however be noted that the difference between deposit-taking and non-deposit taking SACCOs is an exclusive singularity to the Kenyan cooperative structure (SACCO Supervision Annual Report, 2017).

The continued upward growth by the deposit-taking SACCO Societies in Kenya is contributed by the formal prudential regulation in 2010 then in 2017 as evidenced by the increases in all the key financial growth parameters. Total assets have risen to reach Ksh 442.27 Billion in 2017 primarily impacted by a growth rate of 12.4% from 2016. The combined loans have risen to Kshs 331.2 Billion reflected by a rise of 11.29% from 2016. similarly, deposits have risen to Kshs 305.3 billion reflecting an improvement of 12% from 2016. These sustained growth impetus is sufficient evidence of the critical and strategic role of DT-SACCOs as competitive alternative financial service providers to Kenyans as was anticipated in the *Second Medium Term Plan for the Vision 2030(* MTP II)whose actualization ended in 2017 , particularly with regard to credit provision for household economies; mobilizations of savings; and a deepening of financial access and inclusion as evidenced by the modest active membership of 3.1 Million individual persons (SACCO Supervision Annual Report, 2017***).***

By operating branches and establishing networks in remote or far-flung places of the country, including small village centers further solidifies their role in serving the unbanked population. Among the myriad of challenges facing most SACCOs is inadequate capacity and strained human resource largely due to lack of sufficient budgetary allocation for specialized staff training and recruitment. In addition, sound corporate governance principles have not been embraced fully (Owen, 2007). It has also been noted that delay and in some cases non-remittance of member contributions is hampering the performance of the SACCOs.

1.1.3 History of Savings and Credit Co-Operatives Globally

The first Savings and Credit Co-operative Society was started in Germany in 1849 by Herman Schulze and William Raiffeisen. The SACCO Society was introduced to assist people overcome economic problems during the time of famine that prevailed there during that time. In 1850 in England, workers in a mill factory started savings and making loans, to help each other. Later, in the twentieth century, the idea was moved to North America. As a result, the first SACCO Society was started in Canada in 1901 by Alphonse Desjardine and then in the USA by E. Filen, a Boston merchant for his employees. This resulted to a vast establishment of the movement in Europe, Canada, United States, Australia and Ireland. In fact, in various communities around the globe SACCOs are bigger than formal banks. In 1970, the World Council of Credit Unions was formed with their Headquarters in Madson Wisconsin, USA, to provide an International Forum for discussion and association, provide assistance to new and developed movements, offer insurance and training on a large scale (Savings plus, 2010).

1.1.4 History of Savings and Credit Co-operative Societies in Kenya

European farmers formed the first cooperative in Kenya in 1908 called Lumbwa co-operative society whose aim was to collectively buy farm inputs and then sell their commodities collectively by using economies of scale (Kenya Union of Saving and Credit Co-operatives (KUSCCO, 2006). Kenya Farmers Association (KFA) took over the work of Lumbwa co-operative in 1930 after it was registered as a cooperative society (Gardeklint, 2009). Important to mention is that co-operatives were introduced, recognized and controlled by the government of Kenya (KUSCCO, 2006). From independence, the number of co-operative societies has continued to grow with saving and credit co-operative societies (SACCO) comprising over 50% of all cooperatives, and as financial institutions they play a critical role of financial intermediation in the financial landscape focusing mostly on personal development (SACCOs Review, 2012).

The role that SACCOs play in household economic strengthening has previously been highlighted by several independent reports. Finaccess household surveys conducted by Kenya National Bureau of Statistics and the Central Bank of Kenya indicated that SACCOS are very

common with Kenyan households not only for credit provision but also for short- and long-term savings (Finaccess Household Survey,2016). The SACCOs are found in almost all segments of the economy and about 80% of the Kenyan population derives their income either directly or indirectly through SACCO initiatives. SACCOs in Kenya face stiff competition from other actors in the financial services sector like commercial banks, shylocks, micro-finance institutions, and investment groups. From the approximate population of 41 million, a significant 24.6 million people (63%) contribute either directly or indirectly in SACCO enterprises (Republic of Kenya, 2013). Nevertheless ,regardless of the significant government ingenuity to support cooperative movements through legislation, a significant 3457(51%) of the SACCOs were not operational. This great failure rate of SACCOs continues to frustrate Millennium Development Goals (MDGs) and Vision 2030 objectives of increasing financial inclusion (Pollet , 2013).

1.2 Problem Statement

The government of Kenya has invested well in policies and legislations that support SACCOs but despite this there is a significant number of SACCOs failing to meet their obligations. The unpleasant failure rate of SACCOs undermines current efforts of having increased financial inclusion (Pollet, 2013). Mudibo (2005) noted that SACCOs undergo various setbacks that block them from achieving their objectives. The study particularly noted that SACCOs elect leaders and managers not on the basis of their competency but on popularity among members. Due to the ever-changing socio-economic landscape of SACCOs in Kenya there is a need for an overhaul in the management systems that govern the SACCOs. Several scholars have conducted studies on different determinants to the success of SACCOs in the past. Magali (2014) undertook a research to investigate the impact of leadership, corporate governance and regulations on credit risk management of SACCOs in only three regions in Tanzania so the study findings may not be applicable in Kenyan set up due to business and environmental diversity.

Mosongo, Gichana, Ithai and Munene (2013) undertook a study to examine whether there was a relationship between technology and financial performance of SACCOs in Nairobi. The study only paid attention to technology and over looked other variables like; management competency, organizational structure and the influence of competitive strategies, factors that might influence

the performance of these SACCOs. Lwanga, Hafizah and Zuraini (2014) conducted a study to assess the effect of managerial competency on performance of SACCOs in only one region in Uganda. This study was confined to Busoga in Uganda whose business environment could be different from Kenya. Hence the study findings may not bear relevance to business setting in Kenya. Mang'ana, Nyaboga, Momanyi & Makone (2015) conducted a study to examine the extent to which saccos operating in Kisii County have invested in IT to achieve sustainable competitive advantage over rivalry, yet there are other more factors that influence performance of SACCOs in Kenya.

Judging from the above-mentioned points it can be concluded that the main reason for this research study is to fill a gap left by other researchers by way of critically analyzing the strategic management factors influencing the performance of DT- SACCOs. This is what prompted the researcher to carry out a study to determine the strategic management factors influencing the performance of DT- SACCOs in Machakos sub-County. The study examined the influence of the following factors on performance of DT-SACCOs in Machakos Sub-county; management competency, corporate governance, competitive strategies and uptake of information and Communication technology (ICT).

1.3 Research objective

The purpose of the study was to examine the strategic management factors that affect the performance of Deposit Taking SACCOS in Machakos sub-county.

1.3.1 Specific Research objectives

i. To determine the influence of management competency on performance of DT-SACCOS in Machakos sub -county.
ii. To examine the influence of corporate governance on performance of DT-SACCOs in Machakos sub-County.
iii. To examine the influence of information and communication technology on performance of DT-SACCOs in Machakos sub-county.
iv. To evaluate the influence of competitive strategies on performance of DT- SACCOs in Machakos sub-county.

1.4 Research Questions

From the specific objectives, the following research questions were derived:

i. What is the influence of management competency on performance of DT- SACCOS in Machakos sub -county?
ii. To what extent does corporate governance affect the performance of DT-SACCOS in Machakos sub -county?
iii. What is the influence of information and communication technology on performance of DT-SACCOS in Machakos sub -county?
iv. What is the influence of competitive strategies on performance of DT-SACCOS in Machakos sub-county?

1.5 Significance of the Study

It is anticipated that the results of this study have provided documented evidence on the factors affecting the performance of SACCOS in Machakos sub -county. It is also anticipated that the results of this study would provide opportunities for policy makers, development practitioners and existing micro-finance institutions targeting the rural poor to make informed decisions on how best to manage the associations. This is expected to enable the development practitioners and the government come up with workable models that would ensure good corporate governance, leadership, sustainability and high performance of DT-SACCOs. Lastly the researcher hopes the study has offered suggestions for improved management of DT-SACCOs and recommended areas that require further inquiry. The results will also add value to the literature available in implementing strategic change initiatives especially in the SACCO sector in Kenya.

1.6 Scope of the study

The study took place in Machakos sub- county and the target population was all the 42 deposit taking SACCOS in Machakos sub-county. The target population for this study was Board of directors and senior level management staff of the 42 deposit taking SACCOs registered with the

ministry of cooperatives in Machakos sub county, Kenya by December 2018. The researcher selected a population of 84 board of directors and senior level management staff. Out of the target population a sample size of 42 was selected using simple random sampling.

1.7 Limitations and delimitations of the Study

The researcher experienced difficulties while trying to collect information which was considered as confidential. To overcome this constraint, the researcher guaranteed the respondents of exclusive measures that the findings would be accorded and used. The researcher also gave an assurance to the respondents that the information they had given would be held in confidence and would be used for academic purposes only. In addition, the findings of this study were limited to the level to which the respondents were prepared to provide exact and reliable information. The researcher checked for consistency and tested the reliability of the data collected which made the study a success. The study was also limited by the range to which the findings of the study could be generalized beyond the study area, however this was overcome by the fact that the SACCO methodology is uniform around the globe.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter looks at literature related to strategic management factors influencing performance of DT-SACCOs and theories that support the study. These are discussed in the next subsection then followed by a conceptual framework drawn from the variables in the literature review.

2.2 Theoretical Review

The strategic management factors framework required addresses the current needs that were impacted by various variables. The study was guided by the following theories, agency theory, stakeholder theory and competitiveness theory. The Agency theories identifies well with corporate governance structures. while the stake holders' theory fits well with cooperatives which are serving the interests of varying stakeholders in society while competitiveness theory identifies well with competitive strategies.

2.2.1 Agency Theory

Agency theory explains corporation and corporate governance arrangements of cooperatives societies where the DT-SACCOs identify. The agency theory stipulates that the management acts in the best interests of the shareholders with a majority of board members being independent of management whereby they play an oversight role to ensure that the management affirms to the tenets of industry best practices and is compliant to the standards and benchmarks guiding the industry and always fits the shareholders best interests The aim of the theory is ensuring that the shareholders' interests are taken care of and protected thus having them cushioned from loss (Daily et al, 2003). Alchian and Demsetz (1972) were the first proponents of agency theory and later Jensen and Meckling (1976) added more to the theory. Agency theory has been established to be the relationship among the principals such as shareholders and agents such as the company

executives and managers. In this theory, shareholders or principals own the company and they hire agents to manage and run the organization. The agents in this case are the board of directors or managers. Two factors have been seen to affect the prominence of agency theory. First the theory argues that an organization is made up of two participants of managers and shareholders. Secondly the theory implies that employees can put their own interests before that of the organization (Daily et al, 2003)

In agency theory agents are expected to make decisions that are favorable to the owners. Ordinary shareholders of a company are legally owners of a company. However, they don't take part in the management; that is running the affairs of the company because of various reasons such as: Lack of time, Lack of managerial and technical skills. The shareholders are many and geographically spread and therefore they can't all run affairs of the company. Corporate governance requires that ownership of a company should be separated from the management (Daily et al, 2003).

Due to the different interests and desires of the owners and manager's, misunderstandings and aggression sometimes occur. This is fueled by lack of good communication, lack of transparency and accountability which leads to various issues including major financial losses that could lead to the collapse or closure of a cooperation. It is therefore very important for the management to come up with management strategies that create an atmosphere of transparency, accountability and ownership of the organizational performance. The owners of the company can on the other hand create a good working environment by attending meetings; like the annual general meetings, and delegating the running of the company to the management fully (Owen, 2007). Good organizational structures bring order and avoid conflict. Agency theory is very relevant to this study since SACCOs are run by agents who have been authorized by the shareholders.

2.2.2 Stakeholder Theory

Stakeholder theory was introduced to the management discipline in 1970. Corporate accountability was added by Freeman (1984) to abroad range of stakeholders. In addition to this, Wheler et al (2002) argued that the theory emanated from a blend of organizational and sociological disciplines. Indeed, stakeholder theory integrates philosophy, ethics, political theory,

law, economics, and organizational science. Stakeholder theory concerns itself with any person or group that influence or is affected by the accomplishment of the goals of the organization. The theory suggests that managers do not have only principals to serve but have a bigger network of relationships to serve and be accountable.

For good organizational performance the management and owners of the company need to identify who their stakeholders are so as to be able to have a smooth-running organization. The management needs to come up with a list of all the people who they refer to as stakeholders then prioritize their importance and impact to the company and then assign each resource accordingly. The resources could be time, effort, capital or even profits and by doing this the company is able to thrive well with the support of all those that matter to the company (Wheler et al , 2002) .

The idea of ensuring each stakeholder needs and desires are met is a clear indication that each stakeholder places competing pressure on the organizations scarce resources and it is up to the management to be able to decide who gets what and how much they get (Freeman, 1984; Hosseini and Brenner, 1992). Stakeholder theory involves the element of awareness, critical decision making, stakeholder participation in decision making and ensuring that integrity is central to the dealings of the organization. Stakeholder theory if not well implemented in projects and organizations brings about undesired effects especially if Stakeholder A is not aware of what Stakeholder B is doing. This again falls under management competency and whether or not the management team is able to identify, prioritize and keep good working relations with each stakeholder (Wheler et al, 2002). For SACCOs the management needs to be concerned with the following stakeholders; customers, suppliers, partner institutions, shareholders, government regulatory agencies, social action organizations and the general public. This theory is important in the management of DT-SACCOs since they deal with a wide variety of stakeholders.

2.2.3 Competitiveness Theory

Competitive advantage is gained when an entity develops or attains a set of qualities (or implements actions) that permit it to outdo its competitors. The management community has spent a lot of time trying to develop theories that explain competitive advantage. Initial literature on the theories of trade among countries provided the foundation for competitiveness theory. They suggested to the growth of sustainable competitive advantage well before its time. The old

trade theories gave way to Competitiveness theory, basically 'The effect of the Wealth of Nations 'by Adam Smith in 1776 (later translated in 1937), which was world-shattering. The current philosophy on trade by then was that trade was a zero-sum game in which surplus in trade of one country is counterbalanced by a trade deficit in another country, a philosophy Adam Smith disagreed with. Smith argued that trade was a positive sum game which was mutually benefiting as long as countries specialized in producing goods and services they had absolute advantage in. This came to be recognized as the theory of absolute advantage. Marrewijk (2007) points out that the theory of absolute advantage was extended to comparative advantage where he argued that a country could still benefit from international trade even without an absolute advantage in any good. However, Ricardo failed to reasonably clarify why comparative advantage differed across countries. In 1919 Swedish economist Eli Hecksher in an effort to provide a clarification established the factor proportions (endowment) theory which his former student, Bertil Ohlin advanced in 1933 and ultimately came to be known as H-O Theory. The two scholars proposed that a variation in factor endowments gives rise comparative advantage (Marrewijk, 2007).

The proponents of Competitiveness theories argued that in order for a country to benefit more out of international trade the country needed to have some form of advantage that distinguished it from other countries. The same is true for the organization. If an organization is to achieve higher performance that is sustainable (which equals sustainable competitive advantage) an entity must differentiate itself. Marrewijk (2007) noted that the most basic principle of sustainable competitive advantage, is the fact that suppliers are able to meet the different demands of buyers. Later Barney (2010) argued that, in order for organizations to set themselves apart from other competitors they needed to invest in acquiring unique features. Such advantage can be realized through lowering prices, selective advertising appeals and/or product improvement and innovations (Barney,2004). Lowering prices and improving existing products are just some of the strategies that firms use to attain sustainable competitive advantage but due to the powerful nature of competition experience d today firms need to be more innovative and intentional in their strategy formulation and choice. This theory is relevant to the study as it helps understand how companies build sustainable competitive advantage. This theory therefore shows

that the DT-SACCOs should develop strategies that will give them an upper hand compared to their competitors.

2.3 Empirical Literature review

This section will look at other studies done by other scholars in relation to the variables under study.

2.3.1 Organizational Performance

Performance is mostly defined simply in output terms as the realization of measured objectives, (Armstrong, 2005). Performance does not only concern itself with achievement of goals but also the method people use to achieve it which is confirmed by the oxford English dictionary which has added the phrase "carrying out" in its definition of performance. To achieve high output results, one has to have the required set of behavior, attitude, skills and competencies. Behavior comes from the person doing the task and affect or influence performance.

Many managers find it difficult to develop a viable set of performance indicators. This can be caused by the fact that many indicators are qualitative in nature and some indicators do not give the overall picture of the situation (Johnson & Scholes 2007). Balanced score cards have been used to try and solve this problem by giving managers a tool that can measure both qualitative and quantitative measures (Kaplan &Norton ,1992). DT-SACCOs performance has been measured by the following indicators; customer satisfaction, profits, growth and expansion and overall financial performance. Organizational performance is engrossed on the sustainable balanced scorecard. The dimensions of organizational performance of financial performance, customer performance, internal business process performance, learning and growth performance and non-market performance have been investigated using the t-value. The t-value displays how statistically significant are the variances in the manifestation of organizational performance across the organizations. The financial performance measurements are based on the 5-point Likert type Scale used to measure its indicators. The same was applied for the non-financial performance (Johnson & Scholes 2007).

Organizational performance is mostly based on financial performance which include: return on assets, return on equity, sales growth, return on sales, and gearing; internal business performance is made up of productivity, labor turnover, unit product costs, working capital / sales and capacity utilization; and customer performance involving market share, number of customer, product return rate, defects rate and order cycle time (Johnson & Scholes 2007). For learning and development this comprises of new products, new market entered, R&D spend / sales, training spend / investments, sales / total sales and employee gratification. The management of DT-SACCOs needs to come up with good indicators that describe what success means to the company and clearly stipulate the performance indicators in their vision and strategies. The management needs to equally communicate this to all employees and stakeholders. This will ensure that the organization thrives and has a general direction that is well understood by all.

2.3.2 Management Competency and Organizational Performance of DT-SACCOs.

Competencies are a group of tendencies of a given individual to take certain actions (Witaszek, 2011). Managerial competencies' is a very wide concept and modern literature gives differences between various groups of competencies and further divides them into the following categories; basic competencies which include: cognitive skills understood as the ability to solve conflicts, the ability to adjust to the new surroundings, creativity; social skills which include good manners, conversation and negotiation skills; personal competencies such as conscientiousness, reliability, decision-making skills and stress management skills; competencies of executive nature, such as: task delegation and motivation skills and the ability to plan and communicate tasks; the ability to manage a team and build a strong team composed of co-workers (Witaszek, 2011). Other significant executive features include: a good knowledge of the sector, knowledge of sales techniques, and the ability to predict customer behavior and needs, knowledge of foreign languages, being able to relate to the organization, general and professional knowledge. One should note that competency is not a natural gift, but a quality developed by the managerial staff.

The multifaceted and multidimensional perception of competencies comprises a selection of tendencies of a human being which determine the effective performance of actions and fulfilment of organizational roles which have a diverse scope and structure. For some types of

tasks and roles, very narrow predispositions are required, while for others, very extensive ones. Management theorists link the concept of competencies with an act that determines the quality of performance of particular tasks (Turek &Wojtczuk-Turek, 2006) .The author assumes (based on the analysis of reference literature) that managerial competencies refer to predispositions within one's universal and specialist knowledge, skills, personal features and attitudes, qualifications and professional experience, which guarantee efficiency and, as a result, effectiveness in the performance of professional tasks on an adequate level, which are undoubtedly important factors which influence the pro-market orientation (Wojcik-Kośla, 2013). In summary, managerial competencies consist of a wide range of features, and no manager in the world can have them all. The features are diverse dependent on the sector, specifics of manager's work or the necessities laid down for a manager. One cannot specify and determine which features are more and less significant, or which are not important at all. Most of all, every manager should have the capacity to obtain new competencies through the identification and conclusion of identified gaps.

All studies of organizational failure emanate from poor management (Noebere 2000). The good performance of an organization is determined by how profitable it is which on the other hand is subject to the competency and prowess of the executive. The main goal of the executive which comprise of the chief executive officer and other below him is to ensure wealth maximization through performance. Management is usually overseen by the board of governors whose main aim is to ensure that managers are following the laid down policies and procedures while at the same time ensuring accountability. Managers therefore need to have the required management competencies, skills and abilities to steer the organization into the path of success. Such abilities range from having the required educational competencies to leadership skills and been visionary and charismatic.

Management is a combination of tasks that are geared towards the efficient and effective utilization of resources as a means to achieving one's objectives and goals (Kibera ,1996). The resources can be manpower, effort, time, raw materials and machines. A manager's main duties include, planning, organizing, directing, controlling and motivating. For DT-SACCOs to be successful the board of governors must elect good management teams that have the ability and skills to move the company forward. Integrity should also be put into consideration to avoid issues where managers misuse shareholders resources. Managers also need to be visionary

leaders who are able to sell the organizations vision to all stakeholders therefore ensuring ownership and sustainability. Kirimi and Minja (2010) noted that many organizations fail due to lack of visionary leaders.

A manager's main tasks include planning. Cole (2010) argues that planning is deciding ahead what needs to be done and laying down a plan of how it will get done. Cooperatives do this by formulating plans of how shareholders money will be spent and these plans are then officiated by shareholders during annual general meetings and resources allocated to each activity. Preparing work plans also helps managers to plan their work. Sometimes however the management does not put into consideration the members approved budgets and this results in problems and conflict between the shareholders and management (Mudibo, 2009). Organizing is coordinating all activities and making sure things go as planned an activity that is left entirely on management and which sometimes leads to mismanagement of resources. A manager also has the responsibility of motivating the employees by ensuring their social, psychological and physical needs are met in the fulfilment of organizational purposes.

DT-SACCOs have Audit committees that are required to regulate the management however in most cases the management is also part of the audit committees. This reduces the level at which these committees are effective. Many societies elect leaders according to the popularity of the leader who may not necessarily possess management or leadership skills. This eventually leads to a poorly managed cooperative (Mudibo, 2009). Mudibo further noted that members have the authority and right to demand for accountability from managers and to expect that their resources are utilized for the intended purpose.

2.3.3 Corporate Governance and Organizational Performance of DT- SACCOs

Corporate governance is a system of having a structured relationship between the management and shareholders with regard to corporate decision making and control (Hermes, 2008). The spectrum of governance is dictated by the legal system governing the particular jurisdiction a firm is located and an agreed standard of governance and systems of behavior allowable within the membership of the cooperative. It's thus a system which ensures the accountability of the

management to the shareholders and cushions the shareholders from loss and gives a leeway to management to exploit enterprise for the benefit of the shareholders.

The societies rely on enterprises for delivery of amenities and goods, the exchequer gets taxes from enterprises, society gets employment and enterprises engage in community activities thus having the corporate sector as development partners with society (Namisi, 2007). The mutual association demands that the enterprise become more accountable thus societies and government regulatory agencies have to scrutinize corporate activities with an aim of ensuring accountability to all the stakeholders and continued growth for the benefit of the economy. Corporate governance is thus a requisite for ensured growth and development for economies in all jurisdiction attributed to the symbolic relationship between enterprise and society (Hermes, 2008).

Corporate governance is generally concerned with conformance and performance in a broad view. In conformance the issues of concern are compliance with legal requirements, industry standards and accountability to relevant stakeholders (Namisi, 2007). The performance is geared towards monitoring of the organization performance as well as the performance of CEO which is directly linked to setting up of organizational goals and strategies for achieving them. Corporate governance and firm performance is multi-dimensional in nature whereby there is external and internal corporate governance. Internal corporate governance emphasizes on shareholders' interests by monitoring top management to ensure they act in the shareholders desires while external corporate governance monitors management by use of external regulations with different stakeholders. Absence of governance mechanism especially an active and competent board of directors leads to the management taking advantage of the shareholders resources since there is no one to control and monitor their activities (KUSCCO, 2006).

In a SACCO context corporate governance is a structure of rules and procedures that govern the relationship of all stakeholders involved. It therefore involves a system in which objectives are set, attained and monitored (SACCO Supervision Annual Report, 2017). The provisions of the *Sacco Societies Act (Cap 490B)* and the Regulations made thereunder give *good* governance structure for a deposit-taking SACCO Society, together with the relationship between different statutory governance institutions. Shareholders are the ones in control through the general

meetings as limited by law and that board of directors are elected to oversee the running of the societies. Corporate governance which is anchored on the agency theory cannot be ignored in the context of SACCOs.

2.3.4 Uptake of information and communication technology and Organizational Performance (ICT)

Due to increased competition and changes in the socio -economic factors business organizations have adapted the use of ICT so as to remain relevant, efficient and up-to date as a means of getting a competitive edge, increasing the ease of business processes, client service and performance. The Co-operative sector also has to adapt to the changing times or else become obsolete with time. Manyara (2003) described Technology as been made up of discoveries in science and improvements in machines processes, automation of processes, and information communication technology. The author noted that in Kenya many cooperatives by then had not adapted the use of technology due to the costs involved, ignorance and unwillingness to adopt modern processes.

The Ministry of co-operatives in Kenya has noted that many cooperatives are not computerized and advises them to adapt the use of technology so as to ensure efficiency, accuracy and save time and effort (SACCO Supervision Annual Report, 2017. SACCOS should link up with private ATM service providers, e.g. Pesa Point or alternatively utilize Cooperative Bank ATM service which has a country wide network. Co-operatives in Kenya have no option, if they have to remain relevant and stronger but adapt to change. The factors of environment, technology and globalization are neutral to any business organization, including SACCOs. The environment, technology and globalization impact on all businesses. For successful enrollment and maintenance of customers in the financial sector, DT- SACCOs not excluded; Suitability, proficiency and the ease at which financial services are accessed at low costs remain to be the primary driver of performance. DT-SACCOs have therefore linked with third parties mostly the commercial banks in a quest to make financial services more accessible by use of Automatic Teller Machines (ATM) (SACCO Supervision Annual Report, 2017).

According to the annual report by December 2017, 114 DT-SACCOs were linked to and/or were utilizing one ATM facility or the other to offer some of their services, mainly cash withdrawals The report further stated that the use of mobile phone technologies and associated applications has continually been embraced by SACCO Societies as a means to reaching the widest coverage of their clients. The use of mobile technologies is widely used for the provision of deposit and withdrawal financial services. Some SACCOs also use mobile technologies to offer credit services. So far over 120 DT-SACCOs are now linked and are utilizing mobile applications. It has however been noted that high capital investment is required to set up enough ICT infrastructure and this is one of the biggest challenges facing SACCOs. In addition, ensuring adequate cyber-security measures, and the employment of competent and knowledgeable ICT experts to sustain and manage the SACCOs' Management Information Systems is also a big challenge (SACCO Supervision Annual Report, 2017).

In today's very competitive business world the SACCOs have to invest large amounts of resources in their digital financial services so as to remain relevant by improving the ease at which customers can access financial services. The development and increasing use of information technology will provide SACCOs with networking and innovative opportunities to strengthen their niche and competitive advantages or else risk losing members to other financial players that offer products of higher superiority. (SACCO Supervision Annual Report, 2017)

Management of SACCOs ought to identify suitable hard and soft wares based on their needs. By doing this SACCOs will improve on their business processes, accuracy, effectiveness and efficiency ensuring long-term stability and sustainability of the organization. Accordingly, for SACCOS to compete effectively and successfully with other financial players in the market; SACCOs must strategically use innovation and new technologies to repackage their financial services and products so as to deal with issues of productivity; consistency of their services, client suitability; public assurance; increased availability and the assurance of client's personal data. Although third parties have improved the acceptance of technology and other ICT based financial services.; the costs of these services are is not dependable, stable and efficient, hence the need for a communal platform for ICT service provision which is based on mutually agreed economies of scale (KUSCCO, 2009).

2.3.5 Competitive Strategies and Organizational Performance

Competition can be defined as the act of rivalry to another force with the aim of achieving supremacy or accomplishing a reward or goal, or out of a biological imperative such as survival (American Heritage Dictionary, 2012) .Competitive advantage has been described differently by various scholars but they all have come to an agreement that it deals with strategy formulation and implementation in organizations (Porter, 2009). Firms that are dedicated to accomplish their goals need to come up with winning strategies that show case and utilize their core competencies and ultimately give them a SCP advantage. Porter's five forces Model and (SWOT) Analysis are useful tools that can be used by organizations to develop strategies and come up with competitive advantage.

SWOT analysis corresponds the internal strengths and weaknesses of an organization with its external opportunities and threats. Porters Five Forces Model measures and analyses the organizations competences to position and contest in the industry. Mibei (2007) argued that focus, cost leadership and differentiations are three generic strategies that can assist firms cope with competitive forces. Lo (2012) noted that capabilities, assets, organizational procedures and knowledge are resources that help organizations to implement the strategies that improve performance. Superior customer service is becoming the fundamental competitive advantage in the financial industry in today's very competitive setting. Majority of the amenities are delivered by people in real time hence employees and those supporting them from behind the scenes are completely important to the success of any service organization, SACCOs not left behind (Wilson, Goddard & Molyneux 2008). In an era were competition is very stiff in the financial sector, offering quality services is very important to success and continued existence of organizations. (Woller, Dunford & Warner, 2013). SACCOS should ensure provision of high-quality services to increase customer retention rates, entice new customers through advertising, word of mouth increase productivity, increase market shares, decrease the rate of staff turnover, bring down the cost of operation, as well as motivating employees and boosting financial performance and profitability. SACCOs should ensure creation of quality enhancement programs that improve outcomes by either reducing costs or increasing revenues.

Porter's model has gained prominence as a tool that is used to systematically identify the competitive pressures in a market and evaluate how forceful and important each one is. Kitoto (2013) confers that a correct understanding of the five forces help firms choose one of the generic strategies that effectively enable the firm to compete profitably in an industry. For managers to be able to formulate and adopt winning strategies, a proper understanding and analysis of the competitive pressures in a market needs to be undertaken. This helps managers to measure the relative strength of each and gain a deep understanding of the industry's whole competitive structure. The Porters Five Forces Model enables managers determine if a market is attractive and assess the strength of each competitor therefore firms can develop well informed strategies that can suit the changing market place and ensure sustainability. The winning strategy chosen can change the influence of competitive forces on the organization. The objective is to decrease the influence of competitive forces (Mibei , 2007).

To flourish in construction a workable competitive advantage, a company is obliged to provide what consumers will distinguish as higher value. To achieve this a business has to either produce products that have a lower cost and of good quality or a product of superior value that consumers will not mind paying higher for .According to Rao (2013) competitive advantage enjoyed by an organization consists of three stages comprised of: build up stage where strategic ideas formulated are successful in creating competitive advantage; profit period where a company reaps heavily from their unique advantage and lastly a company has an extensive amount of time to make above usual profits and recuperate on initial capitals invested as the competitive advantage held by the firm is duplicated or eroded by other competitors (Rao, 2013). For a company to be able to create and develop core competencies, the following must be done: Fist the company needs to recognize and isolate its major capabilities and skills and incorporate them into the organizations wide range of strengths. The company then needs to compare itself with similar competitors with the same set of skills and capabilities as it also understands what capabilities are valuable to its customers. The company then should invest in creating and sustaining the valued strengths ,develop an organizational road map that clearly stipulates the goals to be attained, track acquisitions, alliances and licensing measures that improve the company's areas of strength in the core areas, inspire communication and development throughout the organization, reserve core strengths even as the company expands and redefines

the business and by outsourcing non-core competencies so that resources can be used to strengthen core competencies (Conchas, 2009).

Core competencies assist an organization to differentiate its goods from its competitors also reducing the costs of production than that of its competitors thereby achieving a competitive advantage which helps in establishing customer value. Core competencies also help in the creation of new products and services, deciding the future of the organization and structure a global competitive organization. Core competencies stimulates innovations and leads to the development of new technologies. They ensure delivery of quality products and services to the clients (Management Study Guide, 2014). This theory is applicable to the study as it helps appreciate how companies build sustainable competitive advantage. The theory argues that SACCOs must align their strategies in such a way that they get a competitive edge above other financial player. This can be done by ensuring management has the right capabilities, innovative technologies are used and the SACCOs have proper organizational structures. Digital credit services have grown in popularity and are offering unsecured micro-credit loans, a strong point associated with DT-SACCOs increasing market competition. The Banking (Amendment) Act, 2016 established a less than 70 % interest rates on money held by commercial and this has intruded the relative advantage of decent rates or earnings on deposits formerly linked with SACCOs, and thus SACCOs must prepare for more difficult times. (SACCO Supervision Annual Report, 2017)

2.4 Research Gaps

The researcher noted during the literature review that there is a gap on the strategic management aspects that influence performance of DT-SACCOs in Kenya. Several scholars have done different researchers on SACCOs but very few studies show the relationship between strategic management factors and DT-SACCOs performance. Nkuru (2015) conducted a study to establish factors influencing the development of SACCOs dealing with agricultural products in Kenya, the study did not establish that ICT was a factor affecting organizational performance which is a variable under study in this research. In 2015 Mang'ana et al undertook a research to determine to what extent SACCOs operating in Kisii County are equipped in ICT as a means of getting a competitive advantage over their competitors. The study was only focused on ICT yet there are

other factors that affect the business environment. A study conducted by Magali 2014 tried to establish the impact of corporate governance, leadership and procedures on credit risk management of SACCOs in only three provinces in Tanzania which makes the study inapplicable in the Kenyan context due to the varying socio-economic factors. Judging from the above research findings it is clear there is a gap that the researcher is trying to fill by critically analyzing strategic management factors that influence organizational performance. This study pursues to examine strategic management factors that affect performance of SACCOS in Machakos sub –county.

2.5 Conceptual Framework

To conceptualize is to determine what will be measured. The conceptualization of this study involves determination and explanation of the research variables. The conceptualization in this study will be based on the following variables: Management competency, corporate governance, uptake of information and communication technology (ICT) and competitive strategies (independent variables) and performance as the dependent variable as shown below;

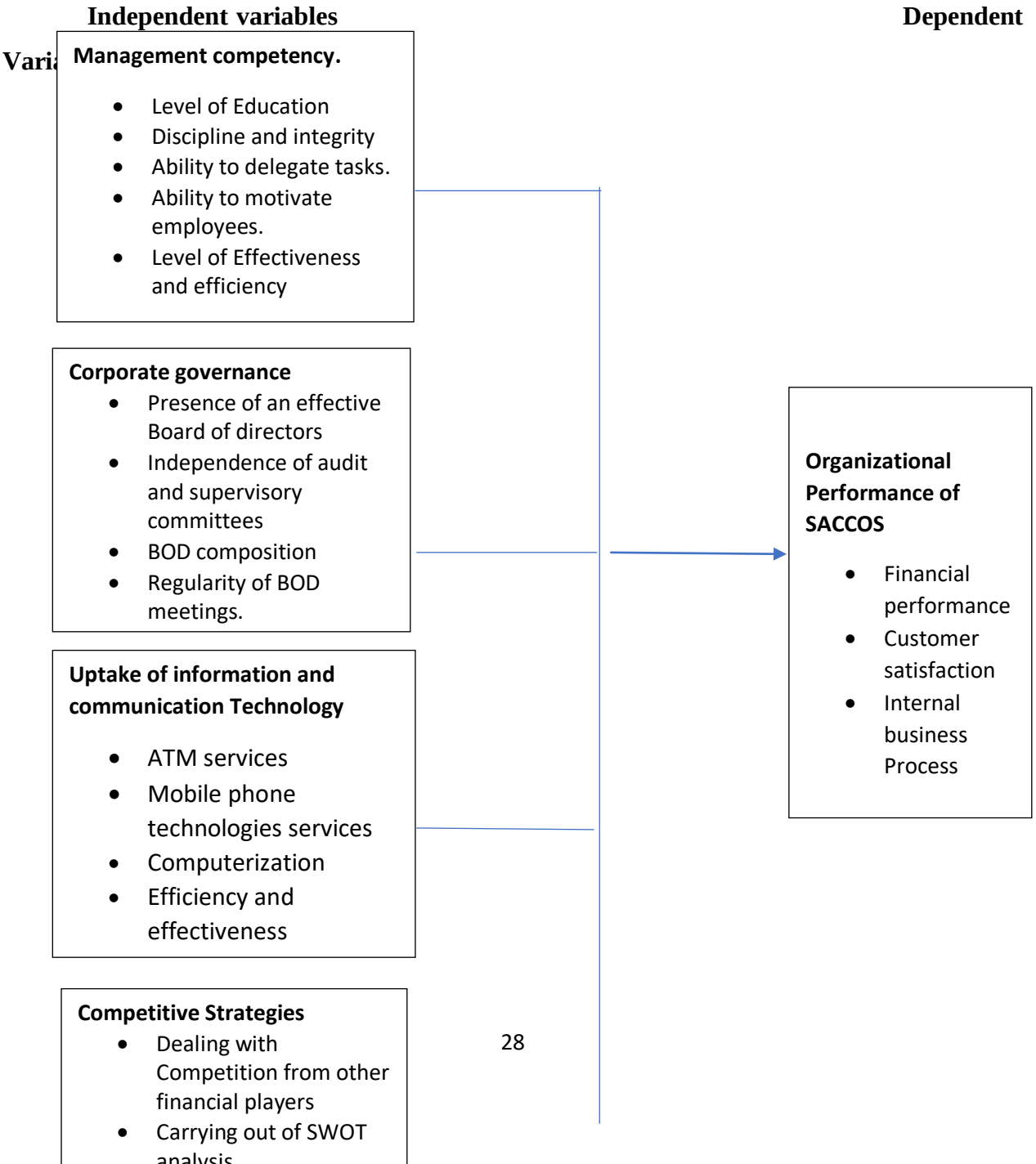

Independent variables
Dependent
Vari
Management competency.
Level of Education
Discipline and integrity
Ability to delegate tasks.
Ability to motivate employees.
Level of Effectiveness and efficiency
Corporate governance
Presence of an effective Board of directors
Independence of audit and supervisory committees
BOD composition
Regularity of BOD meetings.
Uptake of information and communication Technology
ATM services
Mobile phone technologies services
Computerization
Efficiency and effectiveness
Competitive Strategies
Dealing with Competition from other financial players
Carrying out of SWOT
Organizational Performance of SACCOS
Financial performance
Customer satisfaction
Internal business Process

Fig.1.1 Conceptual Framework

Source:(Author,2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter includes the approaches used to plan the research process, collect and evaluate data so as to be able to come up with a conclusion. The chapter comprises the procedure that was used in the operationalization of the research and achievement of the study objectives. It covers; research design, population, sampling design, tools and data analysis.

3.2 Research Design

The study assumed a descriptive research design meant at examining strategic management factors of SACCOs performance in Machakos Sub-county, Kenya. A descriptive design determines the rate at which events happen or the connection between variables (Bryman & Bell, 2007). Therefore, this approach was suitable for this research, since the study collected extensive information through descriptions. A descriptive design cross-examines people's attitudes and perceptions regarding an existing phenomenon (Bryman & Bell, 2011). In a descriptive study, researchers perceive, tally, define, and categorize with an accurate description of the characteristics of people, circumstances, or groups, and/or the frequency with which certain events occur (Polit & Beck, 2003).

3.3 Target population

A population is a complete set of units to be studied (Kothari, 2004). The population of the study consisted all the chief executive officers of the 42 DT-SACCOs and all the 42 chairpersons of the boards of directors of the 42 DT-SACCOs in Machakos Sub- county. There was a total of 84 such respondents.

3.4 Sampling Frame and Technique

3.4.1 Sampling Frame

Sampling is the act of picking a thoughtful choice of a number of units who offer information from which a study drew conclusions regarding a bigger collection of units (Jankowicz, 2010). A sample is a subset of a population (Kothari, 2004). The sample size was 50% of the population. This is in line with Mugenda and Mugenda (2003) who suggests that 10% or more of a population is adequate for a study. The sample size was 42 respondents who comprised of CEOs and chair persons of the board of directors. The sampling technique/design was simple random sampling. The choice of simple random sampling was that it avoided bias and also ensured that there was representativeness.

3.5 Data Collection Instruments

A questionnaire is an organized set of questions to which respondents write their responses within demarcated alternatives. The Likert scale which is an interval scale uses five pillars of; strongly disagree, disagree, neutral, agree and strongly agree. The Likert scale is perfect for gauging attitudes and beliefs and measures the degree to which a respondent agrees or disagrees with a certain opinion or question. (Mugenda & Mugenda, 2003). Questionnaires and informal interviews were used to collect primary data while annual reports of the SACCOs and reports

from the Ministry of co-operative development and marketing were used to collect secondary data.

3.6 Piloting of Research Instruments

Before the data collection, the research instrument was piloted on one SACCO in Machakos county. This involved 5 individuals from UTS Tala branch who were part of the sampling frame but who were not in the sample. The aim of the pilot study was to enhance the effectiveness and accuracy of the research instruments. It also allowed the researcher to create familiarity with the instruments. Piloting was important because it helped in revealing deficiencies in the questionnaires (Mugenda & Mugenda, 1999). The researcher was then able to address the deficiencies which were revealed by the piloting exercise.

3.7 Validity

Validity can be described as the degree to which inferences are accurate and significant based on the research results (Golafshani , 2003). A pilot study was undertaken aiming at establishing the validity of the questionnaire. Face and content validity were used to determine the validity of the questionnaires. Content validity looks at sample-population representativeness. Gillham (2008) specified that the units selected for the test should be a sample of the bigger population

3. 8 Reliability

Instrument reliability is the level to which a research instrument generates the same results in different situations and conditions. Reliability interrogates if the results of a study are repeatable. A composite reliability co-efficient (Cronbach alpha) of 0.7 or above, for all the concepts was seen as satisfactory for this study (Rousson, Gasser & Seifer, 2012). Reliability coefficient of the research instrument was evaluated using Cronbach's alpha (α) which was calculated as follows;

$A=k/k-1\times [1-\Sigma (S2)/\Sigma S2sum]$

Where:

α= Cronbach's alpha

k = Number of responses

Σ (S2) = Variance of individual items summed up

ΣS2sum = Variance of summed up scores

3.9 Data Collection Procedures

A letter of introduction was attained from the university and was used to acquire permission from the organizations to collect the necessary data. The researcher also obtained a letter from the National Commission for science, technology and innovation. The researcher used the drop and pick method which was favored for questionnaire administration so as to enable respondents to have satisfactory time fill the questionnaires. The researcher trained the research assistants on effective communication and how to interrogate and ask questions. The respondents were conducted before the delivery of the questionnaires and the tools were personally administered by the research assistants as noted by` Best and Khan (1987).

3.10 Data Processing and Analysis

When data collection was through the researcher checked through all the data collecting instruments to ensure that they had capture the required information, were complete, consistent and well organized. This paved way for data analysis used Statistical Package for social sciences (SPSS) for closed ended questions. Data was analyzed by descriptive statistics. Frequency tables were generated. The researcher critically examined the open-ended questions through content analysis with the aim of quantifying emerging issues. A simple regression model was used to test the implication of the influence of the independent variables on the dependent variable. Below is the multiple regression model used:

$Y= \beta 0+ \beta 1X1+ \beta 2X2+ \beta 3X3+ \beta 4X4+ e$

Where:

Y = Performance

X1 = Management competency

X2 = Corporate governance

X3 = Information and communication Technology

X4 =Competitive Strategies.

e is error term

β0 represents the constant

β1,2,3,4 are regression coefficients

3.11 Ethical issues

The researcher observed the following ethical standards of behavior in regards to the rights of those who were involved in the study or were affected by it. During data collection, the management and members of organizations selected were notified of the nature of the study and requested through a formal letter to participate in the study willingly. The confidentiality of the respondents was upheld and the information collected was used for the research only. This study also adhered to the principles of research and the research findings will be used solely for academic purposes.

3.12 Operationalization of Variables

Table 3.1 Operationalization of Variables

Objective	Types of variable	Indicator	Measuring of indicators	scale	Tools of analysis	Types of analysis
To determine the influence of management competency on performance of DT-SACCOS in Machakos Sub - county.	Independent	Management competency	• Level of Education • Discipline • Ability to delegate tasks. • Ability to motivate employees. • Level of Effectiveness and efficiency	• Ordinal • Ordinal • Ordinal	• Percentages • Mean score • Standard Deviation	• Descriptive statistics • Regression analysis
To examine the influence of corporate governance on	Independent	Corporate governance	• Independence of audit and supervisory committees • BOD composition • Regularity of BOD	• Ordinal • Ordinal • Ordinal	• Percentages • Mean score • Standard Deviation	• Descriptive statistics • Regression analysis

performance of DT-SACCOs in Machakos Sub-County.			meetings • Effectiveness of oversight role			
To examine the influence of information and communication technology on performance of DT-SACCOs in Machakos Sub-county.	Independent	ICT	• ATM services • Mobile phone technologies services • Computerization • Training of staff on ICT use.	• Ordinal • Ordinal • Ordinal	• Percentages • Mean score • Standard Deviation	• Descriptive statistics • Regression analysis
To evaluate the influence of competitive strategies on performance of	Independent	Competitive Strategies	• Dealing with Competition from other financial players • Carrying out of SWOT analysis • Recruitment of best staff.	• Ordinal • Ordinal • Ordinal	• Percentages • Mean score • Standard Deviation	• Descriptive statistics • Regression analysis

DT- SACCOs in Machakos Sub-county.			• Research and development.			

Source :(Author ,2019)

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the results gained from the field. The chapter contains the demographic information of the respondents and the findings of the analysis founded on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

4.2 Response Rate

The study targeted a sample size of respondents from which 36 filled in and returned the questionnaires leading to a response rate of 86 %. This response rate was considered satisfactory to draw conclusions for the study according to Mugenda and Mugenda (2003) requirements that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

Table 4. 1: Response Rate

Questionnaires Administered	Questionnaires filled &returned	Percentage
42	36	86%

Source :(Author ,2019)

4.3 Reliability Results

A pilot study was undertaken to establish the reliability of the questionnaire. A sample of respondents were selected for the exercise. The analysis was done using Cronbach's Alpha which measured the internal consistency. Gliem and Gliem (2003) established the Alpha value edge at 0.7, thus making the study's yardstick. The table shows corporate governance had the

highest reliability (α= 0.910), followed by management competency (α=0.865) ---competitive strategies (α=0.830), and ICT (α=0.789). The results showed that the four variables were reliable as their reliability values surpassed the set standard of 0.7.

Table 4.2: Reliability Analysis

Scale	Cronbach's Alpha Number	Number of items
Corporate governance	0.910	4
Management competency	0.865	4
Competitive strategies	0.830	4
ICT	0.789	4

Source :(Author ,2019)

4.4 Demographic Information

The researcher pursued to establish the personal characteristics of respondents who participated in the study; this include information such as gender, age, marital status, position/rank, years worked in the SACCO and highest academic qualification attained.

Table 4.3 Gender of the respondent

Sex of the respondents	**Frequency**	**Percent**
Males	22	61%
Females	14	39%
Total	**36**	**100%**

Source :(Author, 2019)

Findings in table 4.3 revealed that there were more male than female respondents that participated in the study. Males comprised of 61% while 39% were female respondents. This implies that the managerial positions of SACCOs in Machakos Sub-county are male dominated.

Table 4.4 Age of the respondents

Age bracket	Frequency	Percent
20-25 years	0	0%
26-30 years	4	11%
31-35 years	6	17%
36-40 years	16	44%
Over 40 years	10	28%
Total	**36**	**100 %**

Source :(Author ,2019)

The findings in table 4.4 above revealed that most of the respondents had ages between 36-40 years and over 40 years old. This is the age considered as the age of maturity and experience by the SACCOs in the county.

Table 4.5 Position /Rank

Position/ Rank of the Respondents	Frequency	Percent
Board of directors	**14**	**39%**
Chief executive officers	**22**	**61%**
Total	**36**	**100%**

Source :(Author ,2019)

Findings showed in table 4.5 noted that most of the respondents were in senior level management comprising 61% percent while 39 % were board of directors, the category under investigation by the study which meant that the responses given were reliable.

Table 4.6 years worked in the SACCO.

Period	Frequency	Percent
Below 2 years	**2**	**6%**
2-4 years	**5**	**14%**
4-6 years	**9**	**25%**
6-10 years	**12**	**33%**
10-15 years	**7**	**19%**
Above 15 years	**1**	**3%**
Total	**36**	**100%**

Source :(Author ,2019)

Table 4.6 shows the respondent's period of service, the investigation noted that most of the respondents as revealed by 33% had served the organization for a period of 6-10 years ,25% of respondents had served the organization for a period of 4-6 years, 19% of respondents had served the organization for a period of 10-15 years, 6% of respondents had worked for the organization for less than 2 years and 3% of respondents had worked for the organization for more than 15 years .

Table 4.7 Academic qualification.

Level of education	Frequency	Percent
O – level	0%	0%
Certificate	0%	0%
Diploma	6	17%
Degree	18	50%
Masters	12	33%
PHD	0	0%
Total	**36**	**100%**

Source :(Author ,2019)

Table 4.7 shows the respondents' educational qualifications, the investigation noted that most of the respondents as revealed by 50% had a degree, 33% had masters, and 17% had college diploma certificates, while only 0% of the respondents indicated PhD level. This shows that majority of the respondents were adequately educated and able to clearly understand the subject under investigation and clearly give out their response effortlessly. Educated employees in the SACCO industry have helped in reaching out in a better and more professional way to the potential clients at all levels.

4.5 Strategic management Factors affecting performance of savings and credit co-operative societies in Machakos sub-County.

The Purpose of this study was to investigate the strategic management factors affecting the performance of Deposit taking SACCOs in Machakos sub -county. The respondents specified that performance of their respective SACCOs is influenced by management competency, corporate governance structures, ICT and competitive strategies.

4.5.1 Influence of management competency on performance of SACCOs

This section inquired on the extent to which aspects of management competency affected performance of the SACCOs.

Table 4:8 Influence of management competency on performance of SACCOs.

Aspects of Management competency	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Level of training	0%	0%	16.6 %	41.6%	41.6%	4.25	0.72168
Discipline and integrity	0%	0%	0%	25%	75%	4.75	0.433
Ability to motivate employees	0%	0%	8.3%	66.6%	25%	4.16	0.5528
Efficiency and effectiveness	0%	0%	0%	41.6%	58.3%	4.58	0.4930
Ability to delegate and empower staff	0%	0%	0%	91.6%	8.3%	4.08	0.2764

Source :(Author ,2019)

The research revealed that the average weighted mean for managements level of training was 4.25 which translate to great extent as per the measurement scale; in more refined words this

implies that the managers level of training affects the performance of SACCOs to a great extent. The study also noted that the level of training influences decision making process and how the mangers view their business world. The research revealed that the average weighted mean for discipline and integrity was 4.75 which translates to a very great extent as per the measurement scale; in more refined words this implies that the managers level of discipline and integrity affects the performance of the organization to a very great extent. The study also noted that the average weighted mean for manager's ability to motivate and mobilize employees to improve their work was 4.16 which translates to great extent as per the measurement scale; in more refined words this implies that the ability of a manager to motivate their employees influenced the performance of the organization to a great extent.

The research revealed that the average weighted mean for a manager's level of efficiency and effectiveness was 4.16 which translates to great extent as per the measurement scale; in more refined words this implies that the level at which managers are effective and efficient in their work influences the performance of the organization to a great extent. Lastly from the research findings, the study noted that the average weighted mean for a manager's ability to delegate work and empower junior staff was 4.08 which translates to great extent as per the measurement scale; in more refined words this implies that the ability of a manager to motivate and empower other staff affects the performance of the organization to a great extent. The findings of this study are in line with management theorists who connect the concept of competencies with an action that determines the quality of performance of particular tasks (Turek &Wojtczuk-Turek, 2006). These findings also agreed with that of Pearce and Robinson (2005) who found out that leadership affect performance. Leadership is extensively defined as very important in actualization of strategy. However, bad leadership mostly from the executives has been noted to be a major challenge to success of an organization (Hrebiniak, 2005).

4.5.2 Influence of corporate governance on performance of SACCOs

In establishing whether corporate governance affects performance the respondents were asked to what extent the following aspects of corporate governance affected their Sacco; board expertise,

regularity of board meetings, independence of audit and supervisor committees and effectiveness of boards oversight role.

Table 4.9 Influence of Corporate governance on performance of DT-SACCOs.

Aspects of Corporate governance	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Board composition	0%	0%	8.3%	41.66%	50%	4.42	0.64
Regularity of board meetings	0%	0%	8.3%	66.6%	25%	4.17	0.5527
Independence of audit and supervisory committees' operations	0%	0%	0%	41.6%	58.3	4.58	0.4930
Effectiveness in oversight role	0%	0%	0%	33.3%	66.6%	4.67	0.4714

Source :(Author ,2019)

The study noted that the average weighted mean for board composition was 4.42 which translates to great extent as per the measurement scale. In more refined words, this implies that the degree to which board of directors are composed of different expertise and competencies affects the organizational performance to a great extent .From the research findings, the study noted that the average weighted mean for regularity of board of directors' meetings was 4.17 which translates to a great extent as per the measurement scale; in more refined words this

implies that the frequency at which board members meet to deliberate on matters to deal with the organization affects the performance a great extent

The research revealed that the average weighted mean for the independence of audit and supervisory committees was 4.58 which translates to a very great extent as per the measurement scale; in more refined words this implies that the level at which the audit and supervisory committees are independent and able to perform their duties without fear, coercion or manipulation influenced the performance of the SACCOs to a very great extent. The study also noted that the average weighted mean for board of directors' effectiveness in their oversight role was 4.67 which translates to a very great extent as per the measurement scale. In more refined words, this implies that the degree to which board of directors are effectively and efficiently able to perform their oversight role of the organization affected the organizational performance to a very great extent. The findings agree with that of Anderson and Zbirenko (2014) who undertook a research in a public health-care organization and from their findings, they concluded that structure affects the extent at which processes are carried out resourcefully.

4.5.3 Influence of ICT on performance of DT-SACCOs in Machakos Sub-county.

This section inquired on the extent of agreement on the influence of ICT on the performance of the DT-SACCOs.

Table 4.10 Influence of ICT on performance of DT-SACCOs in Machakos sub-county.

Aspects of ICT	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Use of mobile technologies	0%	0%	8.3%	33.3%	58.3%	4.5	0.5951
Linkage to ATM services	8.3%	8.3%	50%	25%	8.3%	3.16	1.1131
Computerization of processes	0%	0%	16.6%	33.2%	50%	4.33	0.7453
Training of staff on ICT	0%	0%	8.3%	83.4%	8.3%	4	0.4082

Source :(Author ,2019)

The findings of the study revealed that the average weighted mean for the use of mobile phone technologies to offers financial services was 4.5 which translate to a very great extent as per the measurement scale; in more refined words this implies that the level at which SACCOs use mobile phone technologies to offer their financial services affects the performance of the SACCOs to a very great extent. The study also noted that mobile phone technologies had made it possible for SACCOs to access customers who were far away from their physical locations hence improving their customer base and efficiency. The research also revealed that the average weighted mean for linkage to ATM facilities was 3.16 which translates to a moderate extent as per the measurement scale; in more refined words this implies that the level at which DT-SACCOs were linked to ATM facilities affected the performance of the organization to a moderate extent.

The study noted that the average weighted mean for computerization of work processes was 4.33 which translates to great extent as per the measurement scale; in more refined words this implies that the level to which SACCOs had computerized their operations influenced performance to a

great extent. The research revealed that the average weighted mean for training of staff on the use of ICT was 4.16 which translates to great extent as per the measurement scale; in more refined words this implies that the level at which SACCOs invested in training their staff on modern ways of ICT affected the performance of the organization to a great extent.

4.5.4 Competitive strategies influence on performance of DT- SACCOs in Machakos sub-county.

This section sort to inquire the extent to which competitive strategies affected the performance of DT-SACCOs.

Table 4.11 Influence of competitive strategies on performance of DT- SACCOs.

Competitive strategies	**Very low extent**	**Low extent**	**Moderate extent**	**Great extent**	**Very great extent**	**Mean**	**Std Deviation**
Competition from other financial players	0%	0%	16.6%	66.6%	16.6%	4	0.5
Carrying out of SWOT analysis	0%	0%	8.3%	75%	16.6%	4.08	0.3542
Recruitment of best staff for the SACCOs operations	0%	0%	8.3%	33.3%	58.4%	4.5	1.2583
Investment in research and	0%	0%	25%	75%	0%	3.75	0.4330

development

The research revealed that the average weighted mean for competition from other financial players was 4 which translates to great extent as per the measurement scale; in more refined words competition from other financial players offering the same services affected the performance of DT-SACCOs to a great extent. The research revealed that the average weighted mean for recruitment of the best staff for the SACCOs operations was 4.5 which translates to a very great extent as per the measurement scale; in more refined words this implies that having the right staff who are competent in their work affects the performance of the organization to a very great extent.

The study noted that the average weighted mean for carrying out SWOT analysis was 4.08 which translates to great extent as per the measurement scale; in more refined words this implies that carrying out a SWOT analysis to determine the position of the organization affected the performance of the organization to a great extent. The research findings are in line with Kitoto (2013) who argues that a firm needs to carefully analyse all the five forces so as to be able to select a generic strategy that can bring competitive advantage. The research revealed that the average weighted mean for investment in research and development was 3.75 which translates to great extent as per the measurement scale; in more refined words this implies that the level at which an organization invests in research and development affects the performance of the organization to a great extent.

Table 4:12 Aspects of strategic management and performance.

Aspects of strategic management	1	2	3	4	5	Mean	**Std deviation**
Management competency	0%	0%	0%	33.3 %	66.6%	4.6	0.47
Corporate	0%	0%	0%	16.6%	83.3%	4.8	0.3741

Governance							
ICT	0%	0%	0%	75%	25%	4.25	0.4330
Competition	0%	0%	8.3%	58.3%	33.3%	4.25	0.5951

Source :(Author ,2019)

The research revealed that the average weighted mean for corporate governance was 4.8 which translates to a very great extent as per the measurement scale; in more refined words this implies that corporate governance and structures affects the performance of DT-SACCOs to a very great extent. The research findings are in line with Jebet (2009) who noted that corporate governance had a profound effect on ROA and ROE in cooperatives societies. The research revealed that the average weighted mean for management competency was 4.6 which translates to a very great extent as per the measurement scale; in more refined words this implies that the managers key competencies and skills affects the performance of the organization to a very great extent. The study also noted that the average weighted mean for adaptation and usage of ICT was 4.25 which translates to great extent as per the measurement scale; in more refined words this implies that ICT affected the performance of the organization to a great extent. Lastly the research revealed that the average weighted mean competitive strategies was 4.25 which translates to great extent as per the measurement scale; in more refined words this implies that the level at which the management comes up with competitive strategies affects the performance of the organization to a great extent.

4.6 Organizational Performance

The study pursued to determine the inclination of the various aspects of organizational performance in the DT-SACCOs in Machakos Sub-county for the last five years.

4.6.1 Financial performance

The study sought to determine the trend of the various aspects of financial performance in the companies for the last five years.

Table 4.13: Financial performance

Aspects of financial performance	Greatly improved	Improved	Constant	Decreasing	Greatly decreased	Mean	Std deviation
Profitability	75%	25%	0%	0%	0%	4.75	0.5590
Capital growth	25%	75%	0%	0%	0%	4.25	0.4330
Stability	25%	75%	0%	0%	0%	4.25	0.4330

Source: (Author,2019).

The research revealed that most of the SACCOs had registered high improvement in overall profitability (mean average 4.75), capital growth (mean average 4.25) and stability (mean 4.25).

4.6.2 Customer Base/ Clientele

The study pursued to examine the trend of the following aspects of customer base on performance in DT-SACCOs for the last five years.

Table 4.14: Customer Base/Clientele

Aspects of customer base and clientele	Greatly improved	Improved	Constant	Decreasing	Greatly decreased	Mean	Std Deviation
Customer satisfaction	25%	75%	0%	0%	0%	4.25	0.433
Market share	0%	83.3%	16.6%	0%	0%	3.83	0.372
CSR	0%	41.6%	50%	8.3%	0%	3.3	0.624

Source :(Author ,2019)

From the findings it was noted that majority of the organizations had recorded improvement on customer satisfaction as revealed by a mean of 4.25, market share as revealed by a mean of 3.83 while corporate social responsibility had remained constant as shown by a mean of 3.3.

4.6.3 Internal business process

The study pursued to investigate the trend of the following aspects of internal business process in the companies for the last five years.

Table 4.15: Internal business process.

Aspects of internal business process	Greatly improved	Improved	Constant	Decreasing	Greatly decreased	Mean	Std Deviation
Research and development	16.6%	16.6%	66.6%	0%	0%	3.5	0.7638
Technological capacity	8.3%	75%	16.6%	0%	0%	3.9	0.4933
Business efficiency	41.6%	58.3%	0%	0%	0%	4.42	0.4930

Source (Author,2019)

4.7 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model fitness, analysis of the variance and regression coefficients.

4.7.1 Regression results

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences

(SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions. The model summary is presented in the table below.

Table 4.16: Model Summary

Model	R	R Square	AdjustedR Square	Std. Error of the Estimate
1	.832	.717	.714	1.421

a. predictors (Constant), Management competency, Corporate Governance, ICT, Competitive Strategies

Source :(Author ,2019)

Adjusted R Squared is Coefficient of determination which explains the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R Squared was 0.717 an indication that there was a variation of 71.7 percent on the performance of DT-SACCOs in Machakos Sub-county due to changes in management competency, corporate governance, ICT and competitive strategies. This shows that 71.7 percent changes in performance of DT-SACCOs in Machakos Sub-county could be accounted to management competency, corporate governance, ICT and Competitive strategies. This also suggests that the model applied to get a relationship of the variables was reasonable.

Table 4.17: Analysis of Variance

	Sum of squares	df	Mean square	F	Sig
Regression	**5.250**	**4**	**1.312**	**9.25**	**0.000**
Residual	**5.672**	**40**	**0.141**		
Total	**10.922**	**42**			

Source :(Author ,2019)

In statistics significance testing the p-value shows the level at which the independent variable is related to the dependent variable. If the significance number obtained is less than the probability value (p) which is statistically established at 0.05, then the assumption would be that the model is significant in explaining the relationship; else the model would be viewed as non-significant.

Table 4.17 gives the findings on the analysis of the variance (ANOVA) which suggest that the model was statistically significant. Further, the results imply that the independent variables are good predictors of performance. This was supported by an F statistic of 9.25 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 4.18: Regression of Coefficients

Variable	B	Std Error	t	Sig
(Constant)	**-5.280**	**1.454**	**0.385**	**0.003**
Management competence	**0.724**	**0.169**	**4.289**	**0.000**
Corporate governance	**0.760**	**0.200**	**3.571**	**0.000**
ICT	**0.619**	**0.142**	**4.271**	**0.002**
Competitive strategies	**0.659**	**0.192**	**3.390**	**0.000**

Source :(Author ,2019)

From the data in the above table the established regression equation was

$Y = -5.283 + 0.724X_1 + 0.760\ X_2 + 0.\ 619X_3 + 0.659X_4$

From the above regression equation it was revealed that management competency, corporate governance, ICT, Competitive strategies ,performance of DT –SACCOs in Machakos Sub-county would be at -5.280, a unit increase in management competency would lead to an increase in performance of DT-SACCOs in Machakos Sub-county by a factor of 0.724, a unit increase in corporate governance would lead to increase in performance of DT –SACCOs in Machakos Sub –county by factors of 0.760, a unit increase in ICT would lead to increase in performance of DT-SACCOs in Machakos Sub-county by factors of 0.619, and a unit increase in Competitive

strategies would lead to increase in performance of DT-SACCOs by a factor of 0.659 All the variables were significant as their significant value was less than ($p<0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This segment of research offers a discussion on the findings of the research, the conclusions of the

study and the recommendations of the study which pursued to examine the strategic management factors affecting performance of savings and credit co-operative societies in Machakos Sub-County.

5.2 Summary

This section of this chapter gives a summary of the stated objectives.

5.2.1 Management competency

The first objective of the study was to establish the effect of management competency on performance of DT-SACCOs in Machakos sub-county. The results obtained from the correlation model showed a strong positive correlation between management competency and performance in DT-SACCOs in Machakos Sub-county ($r=0.724$, $p=0.000$). The study prediction results obtained from the regression model also revealed that a unit increase in management competency would enhance performance in DT-SACCO by a factor of 0.724 units. This is also reinforced by results from descriptive statistics which revealed that management competency affects performance to a very great extent. The study noted that the managers level of training affects

the performance of DT- SACCOs in Machakos Sub -county to a great extent. The level of training influences on decision making and how the managers view their business world hence improving efficiency and effectiveness.

The study also revealed that managers level of discipline and integrity affects the performance of the organization to a very great extent and the manager's ability to motivate and mobilize employees to improve their work influenced the performance of the organization to a great extent.

The research also revealed that the level at which managers are effective and efficient in their work influences the performance of the organization to a great extent. Lastly from the research findings, the study noted that the ability of a manager to motivate and empower other staff affects the performance of the organization to a great extent. The findings revealed that the level of efficiency and effectiveness, managements level of training, ability to delegate and empower staff all had a positive influence on performance

5.2.2 Corporate Governance

The results obtained from the correlation model showed a strong positive correlation between corporate governance and performance of DT-SACCOs in Machakos Sub-County ($r=0.760$, $p=0.000$). The study prediction results obtained from the regression model also revealed that a unit increase in corporate governance would enhance performance of DT-SACCO in Machakos Sub-county by a factor of 0.760 units. This is also reinforced by results from descriptive statistics which revealed that corporate governance affects performance of DT-SACCOs in Machakos Sub-county to a very great extent. Most of the respondents indicated that the composition of the board was a major factor in co-operative organization and management development and affected performance to a great extent. SACCOs require board members of different expertise, skills and competencies so as to clearly and effectively give direction to the organization.

The regularity of board meetings also affected performance of DT-SACCOs in Machakos Sub-county to a great extent. Many respondents noted that the more times board members met the more effective they were. The level to which audit and supervisory committees were independent

also affected DT-SACCOs performance in Machakos Sub-county to a very great extent which implies that DT-SACCOs should ensure that they give adequate time and independence to their supervisory committees so that they can effectively play their oversight role. Lastly the study revealed that the degree to which board of directors are effectively and efficiently able to perform their oversight role of the organization affected the organizational performance to a very great extent. Active board members who aggressively played their oversight role ensured checks and balances and were able to steer their organizations in the right direction.

5.2.3 ICT

The third objective of the study was to determine the effect of ICT on performance. The regression model indicated that ICT has a positive and significant effect on performance (r=0.619, p=0.002). A unit increase in ICT would affect performance of DT-SACCOs in Machakos sub-county by 0.619 units. Results obtained from descriptive statistics showed that ICT affects performance of DT-SACCOs in Machakos Sub-county to a great extent. The respondents agreed that the use of mobile phone technologies to offer services was seen to affect the performance of the organization to a very great extent. This was the case since most respondents appreciated the globalization era today and noted that the use of mobile phone technologies had enable SACCOs to reach clients far and wide. The use of mobile phone technologies was also revealed to contribute greatly in improving customer base and overall profitability of the organization.

Secondly computerization of all processes of the organization affected the organization to a great extent and led to increased business efficiency. Staff training on the use of ICT also affected the performance of the DT- SACCOs in Machakos Sub-county to a great extent and it was noted that staff who are well trained and up to date with the current technologies worked more efficiently. Lastly it was noted that linkage to ATM services influenced performance to a moderate extent. This was the case since mobile phone technologies seemed to be more accessible to many clients compared to ATM services.

5.2.4 Competitive Strategies

The fourth objectives was to examine the extent to which an organization's competitive strategies influences the performance of DT-SACCOs in Machakos Sub-county. The regression model indicated that Competitive strategies have a positive and significant effect on performance (r=0.659, p=0.000). A unit increase in competitive strategies would affect performance by 0.659 units. Further, results obtained from descriptive statistics showed that competitive strategies affect performance of DT-SACCOs in Machakos Sub-county to a great extent. It was noted that competition from other financial players in the country affected the performance of DT-SACCOs in Machakos sub –county to a great extent, therefore SACCOs need to recruit qualified staff since this gives them an internal strength against their competitors. The study noted carrying out a SWOT analysis to determine the position of the organization affected the performance of the organization to a great extent. It was also noted that SACCOs need to frequently carry out SWOT analysis of their position in the market so as to be able to come up with winning strategies that can place them above the rest. Lastly the research revealed that the level at which DT-SACCOs in Machakos sub-County invested in research and development affected the performance of the organization to a great extent. DT-SACCOs therefore need to invest in research and development to enable them produce goods and services of superior quality.

5.3 Conclusion

Based on the findings above; the study concluded that management competency, corporate governance, ICT and competitive strategies influence the performance of DT-SACCOs in Machakos Sub-county.

5.3.1 Management competency

The correlation results obtained from the correlation model on effect of management competency on performance of DT-SACCOs in Machakos Sub-county showed a strong positive correlation between management competency and performance of DT-SACCOs in Machakos Sub-county. The study also revealed that management competency affects

performance of DT-SACCOs to a very great extent. The study concluded that management competency has an active and direct role in performance. Discipline, level of effectiveness and efficiency and integrity affected the performance of the organization. Managers who show great levels of discipline and integrity also lead their organizations to higher performance.

5.3.2 Corporate governance

The correlation results obtained from the correlation model on effect of corporate governance on performance of DT-SACCOs in Machakos Sub-county showed a strong positive correlation between corporate governance and performance in DT-SACCOs in Machakos Sub-county. The study also revealed that corporate governance affects performance of DT-SACCOs in Machakos Sub –county to a very great extent.

The study concluded that corporate governance has an active and direct role on performance. The regularity of board meetings, composition of board members and the independence of audit and supervisory committees all play a very important role in the overall performance of the DT-SACCOs.

5.3.3 ICT

The correlation results obtained from the correlation model on effect of ICT on performance of DT-SACCOs in Machakos Sub-county showed a strong positive correlation between ICT and performance. The study revealed that ICT affects performance of DT-SACCOs in Machakos Sub-county to a great extent. The study concluded that the use of mobile phone technologies to offer services was seen to affect the performance of the organization to a very great extent. DT-SACCOs therefore need to adapt modern technology and in particular computerization of services for effectiveness and efficiency. The SACCO management ought to identify suitable hard and softwares based on their needs.

5.3.4 Competitive Strategies

The correlation results obtained from the correlation model on effect of competitive strategies on performance of DT-SACCOs in Machakos Sub-county showed a strong positive correlation between competitive strategies and performance of DT-SACCOs in Machakos Sub-county. The study also revealed that competitive strategies affects performance of DT-SACCOs to a great extent. Lastly the study concluded that DT-SACCOs need to come up with winning strategies so as to remain competitive and ensure sustainably.

5.4 Recommendation for the study

5.4.1 Policy Recommendation

In view of improving performance DT-SACCOs in Kenya; the study recommends that SACCOs in Kenya should employ competent and skilled management teams who have the ability to transform and move forward their organizations. Due to stiff market competitiveness reveled; the management of DT-SACCOs in Kenya need to come up with well thought marketing tactics that distinguish each SACCO from their rivals. Continuous market creation and product development is strongly advised. The SACCOs should also come up with ways of ensuring customer retention and loyalty.

Occasionally, DT-SACCOs in Kenya ought to carry out SWOT analysis. Business reengineering process is also encouraged to keep processes on track. The research recommends that the strategic management of DT- SACCOs in Kenya should work to ensure that internal business processes are effective by incorporating current technologies as ICT was found to be a crucial factor posting positive performance of organization.

The study recommends that DT-SACCOs in Kenya should have proper governance structures that clearly stipulates the role of each party in the organizations. Strategic management should strive to have policies and procedures that aggressively encourage organizational reputation,

ethics and values. This will encourage transparency on the organizations affairs thus letting SACCO members and employees have a sense of security.

5.4.2 Recommendation for further studies

Comparable studies should be undertaken in other parts of the country focusing on factors influencing the performance of savings and credit co-operative societies. Further studies need to be undertaken to examine other factors, including the effect that loan defaulting has on the performance of SACCOs. A study is also essential to investigate the general sustainability of savings and credit co-operative societies.

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APPENDICES

Appendix 1: Questionnaire

This questionnaire is to collect data for purely academic purposes. The study seeks to investigate Strategic Management Factors affecting performance of Deposit taking SACCOs in Machakos sub-county. All information will be treated with strict confidence.

Instructions: *Tick where appropriate*

Section A: Demographic Information

1.Name (Optional)……..

2. Kindly indicate your gender

Male [ ] Female [ ]

3. Age

20-25 years [ ]

26-30 years [ ]

31-35 years [ ]

36-40 years [ ]

Over 40 years [ ]

4. Position/Rank [ ]

Senior Level Management [ ]

Middle level Management [ ]

Member [ ]

5. How many years have you worked or been a member in the Company?

Below 2 years [ ]

2 -4 years [ ]

4 -6 years [ ]

6 – 10 years [ ]

10-15 years [ ]

Above 15 years [ ]

6. What's your highest academic qualification?

O – level [ ]

Certificate []

Diploma [ ]

Degree [ ]

Masters [ ]

PHD [ ]

Any other(Specify) ……

Section B

7. To what extent do the following aspects of management competency affect performance of your SACCO ?. Use a scale of 1-5 , where 5=Very Great Extent; 4=Great Extent ;3=Moderate Extent ;2= Low Extent And 1= Very Low Extent. Tick as appropriate

Management competency	**1 Very low extent**	**2 Low extent**	**3 Moderate extent**	**4 Great extent**	**5 Very great extent**
Level of training.					
Discipline and integrity					

Level of effectiveness and efficiency of managers.					
Ability to motivate and mobilize employees to improve their work.					
Efficiency and effectiveness in service delivery					
Ability to delegate work and empower junior staff.					

8.To what extent do the following aspects of corporate governance affect performance of your SACCO ?. Use a scale of 1-5 , where 5=Very Great Extent; 4=Great Extent ;3=Moderate Extent ;2= Low Extent And 1= Very Low Extent. Tick as appropriate

Corporate governance	**1 Very low extent**	**2 Low extent**	**3 Moderate extent**	**4 Great extent**	**5 Very great extent**
Board composition in terms of different expertise and competencies.					
Regularity of board meetings					
Independence of audit and supervisory committees.					
Effectiveness in oversight role					

9. To what extent do the following aspects of ICT affect the performance of your Sacco?Use a scale of 1 – 5 where ;5= very great extent, 4 =great extent, 3= moderate extent, 2= Low extent and 1 =very low extent.

ICT	**1 Very Low Extent**	**2 Low Extent**	**3 Moderate Extent**	**4 Great Extent**	**5 Very Great Extent**
Use of mobile phone technologies to offer services.					
Linkage to ATM facilities.					
Computerization of processes.					
Training of staff on use of ICT					

10.To what extent do the following aspects of competitive strategies affect performance of your SACCO. Use a scale of 1 – 5; where 5= Very Great Extent, 4 =Great Extent, 3= Moderate Extent, 2= Low Extent And 1 =Very Low Extent. Tick as appropriate

Competitive Strategies	**1 Very Low Extent**	**2 Low Extent**	**3 Moderate Extent**	**4 Great Extent**	**5 Very Great Extent**
Competition from other financial players all over the country					
Carrying out of a SWOT analysis of the SACCOS strategies and position in the market.					
Recruitment of the best staff for the SACCOs operations					
Investment in research and development.					

Section C

11.To what extend do the following factors influence performance in your organization? Use a scale of 1 – 5.; where 5= Very Great Extent, 4 =Great Extent, 3= Moderate Extent, 2= Low Extent And 1=Very Low Extent. Tick as appropriate

	1	2	3	4	5
Management competency					
Corporate governance					
ICT					
Competition					

Section D

12. Performance

What has been the trend of the following aspects of performance in your company for the last five years?.

		Greatly improved	Improved	Constant	Decreasing	Greatly decreased
Financial	Profitability					
	Growth					
	Stability					
Customer	Customer satisfaction					
	Market share					
	CSR					
Internal business process	Research and development					
	Technological capacity					
	Business efficiency					

End

Thanks for your co-operation.

Appendix II: Letter of Transmittal

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: PERMISSION TO CARRY OUT RESEARCH IN YOUR SACCO.

My name is Dorothy Mumo Mulei, Reg no MBAMKS364828 of St. Paul's University, Machakos campus. I am carrying out a research which is part of the requirement for the award of the degree of Master of Business Administration in Strategic Management. My research shall be based on the investigating the strategic management factors that affect performance of deposit taking SACCOs in Machakos sub county.

The answer given in this research will solely be used for academic purposes and treated with confidentiality. If one wishes to know the findings of the study this will be done upon request.

Thanks.

Yours faithfully,

DOROTHY MUMO MULEI
OF ST. PAULS UNIVERITY

Appendix III : List of Registered DT-SACCOs in Machakos Sub-County.

1. ABC Empowerment SACCO Society Ltd
2. Butala Investemenet SACCO Society Ltd
3. Cotema SACCO Society LTD
4. Kwetu SACCO Society LTD (Formerly Mwalimu SACCO)
5. Kazi Bidii SACCO Society Ltd
6. Universal Traders SACCO Society Ltd
7. Mapo SACCO Society Ltd
8. Moko SACCO Society Ltd
9. Gelian SACCO Society Ltd
10. Katelink SACCO Society Ltd
11. Kasinga Achievers SACCO Society Ltd
12. Machakos KPSA SACCO Society Ltd
13. Machakos University SACCO Society Ltd
14. KIM SACCO Society Ltd
15. Peter Mulei Supermarket SACCO Society Ltd
16. Mudico SACCO Society Ltd
17. Machakos SACCO Society Ltd
18. Kavathe SACCO Society Ltd
19. Katethya SACCO Society Ltd
20. Kitulani SACCO Society Ltd
21. Machakos County Women SACCO.
22. Machakos Milele SACCO Society Ltd
23. Machakos Baptist SACCO Society Ltd
24. PAK-WON SACCO Society Ltd
25. Kazi Bidii Investment SACCO Society Ltd
26. Poverty Alleviation SACCO Society Ltd
27. Kaani Fruit Growers SACCO Society Ltd
28. Kivutini Poultry Farmers SACCO Ltd
29. Kalumoni Livestock Traders SACCO Society Ltd

30. CEMU Huduma SACCO Society Ltd
31. KALAKOLA Huduma SACCO Society Ltd
32. MUMUA Huduma SACCO Society Ltd
33. NGEMUT VISIONARY Huduma SACCO Society Ltd
34. Early Bird SACCO Society LTD
35. Great Vision SACCO Society Ltd
36. Suit Housing Co-Operatives Society Ltd
37. Vengi SACCO Society Ltd
38. Machakos Market SACCO Society Ltd
39. Mukaki SACCO Society Ltd
40. Defoca Machakos Branch SACCO Society Ltd
41. Imaniline SACCO Society Ltd
42. Kitukali SACCO Society Ltd.

Appendix IV: Letter of Authorization from NACOSTI.

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/61414/29792**

Date: **25th April, 2019**

Dorothy Mumo Mulei
St. Pauls University
P.O. Private Bag - 00217
LIMURU.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Strategic management factors affecting performance of deposit taking SACCOs in Machakos Sub -County"*** I am pleased to inform you that you have been authorized to undertake research in **Machakos County** for the period ending **25th April, 2020.**

You are advised to report to **the County Commissioner and the County Director of Education, Machakos County** before embarking on the research project.

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

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

Copy to:

The County Commissioner
Machakos County.

The County Director of Education
Machakos County.

S