INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF FINANCIAL ORGANISATIONS IN KENYA: A CASE OF MICROFINANCES IN NAKURU COUNTY

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A Research Project Report Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Arts in Project Planning and Management of The University of Nairobi

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DECLARATION

This research project report is my original work and has not been presented for a degree or diploma in to any other University.

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L50/84577/2016

Declaration by the supervisor

This research project report has been submitted for defense with my approval as University supervisor:

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DEDICATION

This project report is dedicated to my beloved daughter Ivy Ndelle for the motivation and support during the entire period. I shall forever appreciate your contribution towards the success in pursuit of advanced training.
ACKNOWLEDGMENT

It has been an exciting and instructive study period at Nairobi University Kitui Campus and I feel privileged to have had the opportunity to carry out this study as a demonstration of knowledge gained during the period studying for my masters’ degree. I am indebted to the all-powerful GOD for all the blessings he showered on me and for being with me throughout the study. Also I cannot claim full credit of any measure of success in any of my successes. My endeavor has always been as a result of corporate effort. This is therefore not different. I wish to thank most sincerely my supervisor Dr. Angeline Sabina Mulwa for her teaching, mentorship, supervision and co-operation while I pursued my research work. Finally, yet importantly, I take this opportunity to express my deep gratitude to the lasting memory of my loving family, and friends who are a constant source of motivation and for their never ending support and encouragement during this proposal.
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<tr>
<td>DBM</td>
<td>Diploma in Business Management</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>KIM</td>
<td>Kenya Institute of Management</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>NRB</td>
<td>Nairobi</td>
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<tr>
<td>PMBO</td>
<td>Project Management and Business Office</td>
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<td>SME</td>
<td>Small and Medium Size enterprise</td>
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<td>BPM</td>
<td>Business Process Management</td>
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This study sought to determine the influence of strategic management practices on the performance of microfinance institutions in Kenya. Specifically, it sought to determine whether technology adoption, corporate restructuring, retrenchment and turnaround strategy influences the performance of microfinance institutions in Kenya. The researcher has reviewed a broad literature base on strategic management practices clearly examining the theories and perceptions related to the process and further, through a conceptual framework, the study outlined how the objectives, of technology adoption, corporate restructuring, retrenchment strategy and turnaround structuring in an organization influence performance. This study adopted a descriptive survey design and the target population was the microfinance institutions in Nakuru County. Data was collected using structured questionnaires and was analyzed using SPSS version 22. Descriptive statistics were be used to analyse the data. The descriptive statistics used included mean, percentage and frequency distribution. The findings of the study established that strategic management practices play an important role in microfinance institutions. The study found out that technology adoption, corporate restructuring, retrenchment strategy and turnaround strategy influences performance of MFIs. The study also found that the main the main drivers for restructuring were competition, new company strategy, budgetary cuts, public pressure and change in government policy. The study found that there were change in the organization’s mission and goals statement before or after the restructuring process which was as results the new company objectives and core values. On management style and organization restructuring the study found that employees are given leadership opportunities through delegation. From the findings on the size of work force, the study revealed that the staffs in the organization are adequate, that organization provides the necessary facilities to all employees for effective delivery, job functions and responsibilities of staff overlap, there is a policy on staff levels and the organization supports staff with welfare activities. Thus, organizational competencies and capabilities will always play a key role for successful turnaround strategies; ideal structures/systems, effective leadership, positive culture, teamwork, efficient mobilization and utilization of resources and adoption of the rapid changing technology. Therefore, appropriate combination of these factors will enable companies operate viably while gaining a competitive edge over their rivals.
CHAPTER ONE
INTRODUCTION

1.1 Background to the study

Strategic Management is a concept that concerns making decisions and taking corrective actions to achieve long-term targets and short-term goals of projects undertaken in an organization (Bakar et al., 2011). Strategic management is related to project planning and management in that they both involve set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives (Pearce & Robinson, 2005). Wheelen and Hunger (2006) looks at strategic and project management as a set of managerial decisions and actions that determines the short and long-term performance of a firm.

Strategic management is an ongoing process that evaluates and controls the business and the projects in which the company is involved, assesses its competitors and set goals and strategies to meet all existing and potential competitors, and then reassess each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet charged circumstances, new technology, new competitors, a new economic environment, or a new social, financial or political environment (Bryson, 2010). Achieving a competitive advantage position and enhancing firm performance relative to their competitors are the main objectives that business organizations in particular should strive to attain. (Raduan et al., 2009).

Strategic management can depend upon the size of an organization, and the proclivity to change of its business environment. Therefore, a global transnational organization may employ a more structured strategic management model in undertaking its projects, due to its size, scope of operations, and need to encompass stakeholder views and requirement. As stated by Nag et
(2007), this includes the major intended and emergent initiative taken by senior management in utilizing organizational resources to enhance performance, while mitigating the pressures of the external environment. This brings to the fore-front the correlation between strategic management and project management. As Johnson, Scholes and Whittington (2007) elaborate, strategy gives an organization the direction and visual scope that yields benefit both in operational efficiencies and financial targets and sustains the charted mission and vision of the organization within a projects’ environment.

Importance of strategic management in the microfinance institutions is validated by its requirement for better performance for the projects the organization engages in.

According to Scholes (2008), coming up with new processes and products, reducing the cost, adoption of new technology, productivity and improving quality is a prerequisite for success of organizations. As a result, these organisations will improve on their overall performance whereas the general growth and development of the organization can be affected by the way and manner in which they face strategic issues. Needless to say that the basic issues like resource base, appropriate level of technology, infrastructure constrains and raw materials input must also be addressed by the strategic framework.

As supported by Dye and Sibony (2007), an approach that is well calculated in relation to the processof strategic management is an important catalyst to the growthhand success within the organization. Such an approach inevitably also contributes to higher chances of satisfaction among the diverse projects an organization is involved in. Further, scholars attribute most of the MFIs failure to strategic management practices which are poor. Indeed, the savings of the clients to the MFIs is put at risk in an environment that has people with low competency, dishonesty and not strict in implementing the regulations deemed important. This situation would jeopardize millions
of families who are in need with numerous expectations on hope the microfinance offers for the success of their small business. In addition to this hope, the MFIs provides them with ability to be self-reliant, makes them stable economically, enables them access better health care as well as housing and education opportunities. According to Garson (2010), the microfinance has rapidly grown in the last over 30 years providing access to micro credit and savings services for over 130 million of the poor globally. However, these services have not fully reached majority of the poor in the world (Garson, 2010).

Strategic management is crucial element in performance of projects undertaken by microfinance institutions. However, so far, researches mainly focus on strategic management on other organization such as banks, construction sector and health sector. None of the studies have investigated the influence of strategic management practices on performance of microfinance institutions in Kenya.

1.2 Statement of problem

In recent times, the business environment in which institutions operate has been turbulent and dynamic with frequent and fast paced changes that render companies’ strategies irrelevant (Ofunya, 2013). The performance of organizations has been the focus of intensive research efforts in recent times. How well an organization implements its projects and accomplishes its strategic intent in terms of its goals and objectives. However, due to the hypercompetitive business environment, organizations have been pushed to limits dictating the need to adopt strategic management practices that support plans, choices and decisions that will lead to competitive advantage and to archive profitability in different projects (Kourdi, 2009). Strategic management addresses the question of why some organizations succeed, others fail (Melchorita, 2013), and it covers the causes for company’s success or failure.
Numerous studies have been carried globally and locally on the influence of strategic management practices on organizational performance. For instance, Melchorita (2013), Ofunya (2013) and Bakar et al. (2011) analyzed the relationship between strategic management practices and organizational performance in different organizations but none of them investigated the influence of strategic management practices on performance of microfinance institutions. This study therefore, sought to fill that gap by establishing the influence of strategic management practices on performance of microfinance in Nakuru County, Kenya.

1.3 Objectives of the study

The study was based on the following objectives:

1. To determine the influence of technology adoption on the performance of microfinance institutions in Kenya.
2. To examine the influence of corporate restructuring strategy on the performance of microfinance institutions in Kenya.
3. To determine the influence of retrenchment strategy on the performance of microfinance institutions in Kenya.
4. To establish the influence of turnaround strategy on the performance of microfinance institutions in Kenya.

1.4 Research Questions

The study was guided by the following research questions

1. What is the influence of technology adoption on the performance of microfinance institutions in Kenya?
2. To what extent does corporate restructuring strategy influence performance of microfinance institutions in Kenya?
3. What is the influence of retrenchment strategy on the performance of microfinance institutions in Kenya?

4. What is the influence of turnaround strategy on the performance of microfinance institutions in Kenya?

1.5 Significance of the Study

The study would be of great value to the following stakeholders; - the study will help in appreciating the strategic management practice approach by the microfinance institutions as an achieving strategic concept for its contribution to employees’ performance. It will also help to ascertain the need, if any, to re-orient the strategic choices of the organizations in order to turn them into sustainable organizations while delivering on their core mandate of offering services to the public. Specifically the study would be of value to the managers and owners of microfinances in making appropriate strategies for their firms to enhance competitive advantage and performance.

The study would also highlight on the major strategic management practices crucial for survival and growth of microfinance projects and such credible information would be of value to existing institutions or any prospective proprietor as it can be relied on as a guide when making future strategic decisions on their organizations. The study would be a source of reference material for future researchers on the topic and other related topics; it would also help other academicians who undertake the same topic in their studies. The students and academics will use this study as a basis for discussions on strategic management in general and the desire for its introduction in effective management of similar institutions. The study was also expected to highlight other important areas in the study that require further research.
1.6 Limitation of the study
Inadequate assistance arose as some respondents could not agree to avail documents deemed as confidential and this affected the contents of the study. This was surmounted by giving surety to the respondents that confidentiality would be ensured. To tackle the challenge the researcher required assuring them that the study was purely academic and not investigative. Some of the respondents could not cooperate and fill the questionnaires in time. The researcher solved the problem by creating a convenient time with them so that their part of response is included in the research.

1.7 Scope of the Study
This study covered all the microfinances within Nakuru County. This study only focused on influence of technology adoption, corporate restructuring strategy, retrenchment strategy and turnaround strategy on performance of microfinance institutions. The information was collected by use of structured questionnaire. The period of study under consideration was limited to 2017.

1.8 Definition of Significant Terms
**Strategy**: A strategy is a plan or course of action for the allocation of scarce resources in order to achieve specified goals. It is a plan of action stating how an organization will achieve its long term objectives.

**Strategic management**: strategic management is an improvement in management process, where long range planning and business policy are blended, with increased emphasis on environmental forecasting and external considerations in formulating and implementing plans.

**Turnaround strategy**: This is a plan or course of action with the objective to arrest and reverse financial and competitive weakness of an organization arising from declining performance and profitability of a significant magnitude.
Restructuring: this refers to reorganization of different internal elements in an organization with a view to achieving greater efficiency and profit, or to adapt to a changing market

Retrenchment: this refers to a strategy used by corporations to reduce diversity or the overall size of the company, through forced layoff of employees in order to cut expenses with the goal of becoming a more stable business.

Organizational performance: this comprises the actual output or results produced by an organization as measured against its intended outputs, or goals and company objectives.

1.9 Organization of the Study

This study is organized into five chapters. Chapter one deals with background of the study, statement of the problem, objectives of the study, research questions, and significance of the study, limitations, definition of terms and organization of the study. Chapter two reviews the literature related to the study where the headings will be generated from the research objectives. These will include adoption of technology, corporate restructuring, retrenchment and turnaround strategy. The chapter will also focus on the theoretical framework and the conceptual framework.

Chapter three focuses on methodology used for the study. This is organized into research design, target population, sample and sampling procedures, research instruments, validity and reliability, data collection procedures and data analysis and presentation. Chapter four is data analysis and presentation which is organized as per research objectives as well as analyze the demographic information of the respondents. Chapter five outlines the summary of research findings, conclusions and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter is concerned with the review of pertinent literature. It covers both theoretical and empirical literature. Theoretical literature focuses on the strategic management practices and the strategy dilemma of organization in their capacity to adapt strategic management practices in the environment on time. On the other hand, empirical literature lays emphasis on findings of empirical studies on the performance of entities.

2.2 Adoption of a new technology and Performance of Micro Finance Institutions
Information and communication technology has revolutionized the way business is done and this seems to have a significant effect on project completion in many organizations (Sonhe, 2003). Information Communication Technology has opened up opportunities for enhanced revenue collection and consequently cost effective revenue administration. Strategies in information systems have also been developed by SMEs primarily to achieve competitive advantage. SMEs focus on the role of information in supporting strategic objectives (Levy and Powell, 2000).

Technology plays a key role in providing cutting edge for development with acquisition and technology adaptation to suit the local conditions of projects (Nikaido, 2004). Effective and efficient technology management practices are especially important for small and medium-sized enterprises (SMEs) during implementation of their projects due to the critical role of technology in entrepreneurial activities (Sahlman et al., 2009).

“In the rapid changing and increasingly competitive global economy technology has become organization’s greatest asset and Today's economy requires that businesses take a practical approach to managing productivity and costs. The mandate is to optimize efficient processes
throughout the organizations’ projects. In the ongoing search to improve productivity, many companies are looking at Business Process Management (BPM) as a means of increasing productivity and extend projects functionality without requiring rewrites of corporate policies and procedures.” (Captaris, 2004). To set the best possible benchmarks for such initiatives is to automate and implement the first few processes, observe how they impact operations, measure their benefit, and then pursue additional opportunities using the standards you’ve established (Bennett, 2009).

It is not uncommon for organizations to go through an extensive technology selection process before finalizing the goals they would like (or need) to achieve with BPM. Ideally, however, any (BPM) initiative should be driven by well-defined business objectives. High level objectives may focus exclusively on cost reduction or cost containment objectives, or, under the right circumstances, on increasing revenue generating potential. It's worth noting that cost and revenue objectives may not necessarily be mutually exclusive. For example: a given process may gain efficiencies with BPA that support either the same output levels with fewer resources – cost reduction, or Increased output with the same or fewer resources - incremental revenue generation (Bennett, 2009).

In either case, the process efficiency improvement should translate to quantifiable return on investment (ROI). There may be many different ways to apply automation for increased process efficiencies in any number of processes. But what is the value of those efficiencies? (Are we automating simply because we can, or is there quantifiable value?) Clear, well-defined business objectives will help ensure that all other key BPA considerations are in alignment, and that a BPA technology solution delivers real ROI. Ideally, a business process automation initiative will have an executive sponsor to provide direction in situations where IT and the process business owner may have different perspectives, or in situations where a process might impact multiple departments.
and introduce elements of change management. By its very nature, process automation will likely change the business process, and subsequently the way people work. With the growth of knowledge workers and people centric processes, it's important to additionally involve the end-user for input on the process details, and to consider their perspective for a potential technology solution's ease-of-use in order to facilitate adoption. (Bennett, 2009).

Organizations should be able to easily extend technology solution in their projects to support additional employees as more processes are automated (Gina, 2009). Business process automation done right can deliver process efficiencies that result in measurable value to your organization. BPA should focus equally on strategy, people, the process for automation, and technology. Beginning with clear business objectives, involving the right people, automating the right processes, selecting the right technology, and supporting "quick win" as well as continuous improvement initiatives will go a long way toward enabling an organization to realize that value (Gina, 2009). This study will try to explore effects and outcome of automation process conducted at the microfinance institutions as an enhancement strategy towards increased revenue collection and organizational performance.

2.3 Corporate Restructuring and Performance of Micro Finance Institutions

Restructuring is a crucial strategy implemented to remain relevant in the business world. Gibbs (2007) defines restructuring as a change in the operational structure, investment structure, financing structure and governance structure of a company. Sterman (2002) defines restructuring as diverse activities such as divestiture of under-performing business, spin-offs, acquisitions, stock repurchases and debt swaps, which are all a onetime transaction, but also structural changes introduced in day to day management of the business. It is perceived that restructuring is concerned with changing structures in pursuit of short and long term gains.
According to Hane (2000) there are symptoms that may indicate the need for organizational restructuring. Such symptoms are: Parts of the organization are significantly over or under staffed; organizational communications are inconsistent, fragmented, and inefficient; technology and/or innovation are creating changes in workflow and production processes; significant staffing increases or decreases are contemplated; new skills and capabilities are needed to meet current or expected operational requirements; accountability for results are not clearly communicated and measurable resulting in subjective and biased performance appraisals; personnel retention and turnover becomes a significant problem; stagnant workforce productivity or deteriorating morale. Organizational restructuring has proven to be beneficial in a number of ways that are not limited to lowering operational costs and assisting in better formulation and implementation of strategies.

Bowman et al. (1999) distinguishes three types of restructuring as portfolio restructuring; financial restructuring and organizational restructuring and adds that the impact of restructuring is likely to vary across these major forms. The authors explain that in portfolio restructuring, significant changes are made in the mix of assets owned by the firm or in its strategic business units (SBUs). These changes may include liquidations, divestitures, asset sales and spin offs. In financial restructuring, significant changes are made in capital structure of the firm including leveraged buyouts, leveraged recapitalization and debt for equity swaps while in organizational restructuring, significant changes are made in the organization changes of the firm including organizational redesign and employment downsizing. The strategy that captures most headlines organizational restructuring includes downsizing, redesign and layoffs (Bowman et al., 1999).

Downsizing is about reducing manpower to keep employee costs under control. This restructuring strategy is mostly adopted to overcome adverse situations, is needed in cases of takeovers, acquisitions and mergers, where duplicity of staff propels restructuring. For instance, KCB cut
down on its middle level management staff, following other top banks like Barclays who have made similar moves after an aggressive hiring phase started in 2007 that was aimed at capturing market share (Albert, 2011). While reengineering is a type of restructuring is carried out for making operational improvements. It begins with identifying how things are being done currently and then it moves on to changing tasks to improve productivity. It usually results in changing roles, leads to layoffs, but can also create new employment opportunities. This is seen in the case of Safaricom which reengineered its processes to enable it to become more customer-centric, cost efficient, and eliminate duplication of roles and functions through optimum use of resources. (Albert, 2011).

Divestitures is the sale of an affiliate company or business unit to a strategic buyer. It was the driving force behind many corporate acquisitions during the early 1990s. In this case, the buy normally purchases the whole business unit in order to exert full control. Divestiture is also a strategy used to undergo failed mergers and acquisitions. It is used to mask poor/ mistaken investments. A change in management may also lead to a divestiture as a change in business strategy may lead to a sell-off. The most common divestiture is the sale of a division or a subsidiary to a third part for cash or other assets (Haw, 2003).

According to the research studies of Mbogo&Waweru (2014), on the corporate turnaround response by financially distressed companies listed on the NSE, they surveyed companies that were listed for the entire period of the study (2002-2008). The survey found that employee layoff was the most preferred course of action being carried out by 63% by the companies. Asset restructuring was the second most preferred turnaround strategy being carried out by 50% of the companies. Financial restructuring and top management change were the least preferred turn around strategies each one of them being taken by one company each.
The study by Rianyet et al. (2012) on the effects of restructuring on organization performance of mobile phone service providers in Kenya concluded that the three methods of restructuring have a favorable effect on the companies’ market share and market growth. Their results indicate that financial restructuring had the greatest impact on a company’s market share followed by portfolio restructuring and organization restructuring. It is distinct that organizational restructuring had the greatest impact on market growth rate. Ngige (2012) studied the implication of restructuring on the performance and long-term competitiveness within the Kenyan banking sector and further, the significance of different modes of restructuring adopted by the banks in influencing performance. Findings revealed that generally, restructuring resulted to improvement in performance in terms of market share growth, competitiveness, growth in quality of products, geographical spread and customer retention.

Further findings revealed that banks used different strategies of restructuring which had different motives in influencing performance. In the case of organizational restructuring the study showed an increase in the year of restructuring and the year after though it was at a greater magnitude in the organization mode of restructuring. Munjuri (2011), conducted a study on impact of restructuring on the employees which found out that the most common restructuring practice involve retrenchment of the employees which reduce costs to ensure profitability. Riany (2012) also carried out a study on the impact of restructuring on the performance of mobile phone service providers and found that after restructuring, the firms registered positive returns.

2.4 Retrenchment and Performance of Micro Finance Institutions

Another strategic management practice is retrenchment. The most typical objectives of retrenchment are: to improve performance and productivity, enhance competitive advantage, reduce costs, and improve quality. According to findings of studies examining changes in organizational
performance and productivity (Cascio, 2002), improvement was observable in very few insignificant minority of cases; otherwise post-retrenched organizations did not accomplish any improvement, sometimes even decline in performance was experienced.

Although retrenchments have become standard managerial strategy in most organizations, their effectiveness in increasing organizational efficiency is unclear. Different theories are divided, and research findings inconsistent (Krasz, 2004). Subsequently, positive and negative results must be examined as the basis for a more comprehensive research question: when and under which conditions does downsizing improve business performance, and is the improvement sustainable?

It has been assumed that retrenchment reduces expenses and reorganizes processes ensuing in improved competitiveness and profitability (Cascio, 2002). Reorganization occurs when the purging of unnecessary organizational layers enables a focus on core capabilities and increased output (Krasz, 2004). A leaner hierarchy may also reduce unnecessary costs (Cameron, 1998). Therefore, positive organizational results are eventually expressed in the company's economic performance.

The key reason for retrenchment is to reduce costs as management seeks to maximize efficiency (Cascio, 2002) and business objectives can be best achieved with fewer employees. Cascio advanced several strategies, particularly a cost leadership strategy which enables the organization to increase return on sales, or to increase market share through aggressive costing. Following staff reduction the company can transform the leaner cost structure into competitive advantage by increasing profitability or lowering prices, which will be expressed in increased market share. Companies that retrench expect to increase their value to their shareholders by either reducing costs or increasing revenues.
Management believes that future costs can be anticipated more than future revenues, and that wage expenses are fixed costs. Therefore, cutting costs through layoffs is a safe bet for increasing profitability, and consequently raising share value (Redman & Wilkinson, 2009). Additionally, shareholders are expected to react favourably to downsizing announcements although recently, Retrenchment announcements have an overall negative effect on stock market prices. Nevertheless, cutbacks communicate streamlining and raise expectations of a future growth in profits. A positive response will be expressed in an increase in shareholder returns and should enhance the company's attractiveness to investors (Cascio, 2002; De Meuse, 1994).

Most studies have focused on financial performance, because of the assumption that firm’s reason for existence is profit maximization. Because firms' bottom line is their economic state and market position, it is clear that the association between retrenchment and economic results is of major importance. Researchers have followed the differences between long and short-term results (Sheaffer et al., 2009). De Meuse(2004) notes that retrenchment may improve performance in the short-run because dismissals reduce expenses. This improves profitability and liquidity indices, enabling industry dominance through a cost leadership strategy. Moreover, organizations benefit from an initial increase in output, as survivors work harder and more competitively in an attempt to keep their jobs (Krasz, 2004). Despite the improvement in liquidity, initial growth in output is short-term and accompanied by organizational behaviour changes including the survivor syndrome (Noe et al., 2006). Additionally, a cost leadership strategy may be erroneously emulated and applied in the wrong context.

2.5 Turnaround Strategy and Performance of Micro Finance Institutions

Pearce and Robison (2007) described turnaround strategy as a situation arising from declining performance and profitability of a significant magnitude which calls for turnaround actions. They
further contested that the objective of this strategy is to arrest and reverse financial and competitive weakness quickly. A turnaround strategy allows senior managers to study the firm, to understand the critical causes of poor results in order to stem losses and restore growth. Turnaround strategy is designed to reverse a declining business as quickly as possible. Turnaround is a sustained positive change in the performance of a business to obtain a desired result, it is the process by which a business with inadequate performance is analyzed and changed to achieve a desired result. In a turnaround, analysis and action is simultaneous (David, 2008).

Turnaround is considered to have happened when an organization recover adequately to continue with its normal activities often defined as having survived a threat to survival and regained sustainable profitability (Prasad, 2006). When an organization faces a down turn, the management team must act swiftly to ensure that the organization goes back to its initial position.

A turnaround situation is one where a company suffers declining economic performance for an extended period of time, such that the performance level is so low that the survival of the company is threatened unless serious efforts are made to improve its performance. Achieving turnaround calls for a totally different set of skills to probe into the causes of decline and to formulate appropriate strategies to transform the company for a fresh lease of life (Prasad, 2006).

Turnaround strategy emphasizes the improvement of operational efficiency and is probably most appropriate when a corporation’s problems are pervasive but not yet critical (Wheelen& Hunger, 2004). Turnaround strategies stand on the belief that the market cycle doesn’t describe an inevitable course of growth followed by decline. Barker and Duhaime (2001), indicate that the limitation of turnaround strategy is that they often fail since they focus on achieving a longer-term vision without getting out of the decline in the first place and thereby dying in the process.
Measures by which firms usually react to a performance crisis comprise financial, earnings-, structural, leadership, and/or strategic measures. Typical measures that have been found in most cases of firm turnaround processes are cost reductions, asset reductions, changes in management and the strategic re-direction of the company.

2.6 Theoretical Framework
This study was based on Resource based value theory. This theory suggests that strategic management practices can directly influence firm performance. It stresses that the basis of competitive advantage is on the valuable resources and competencies the firm possesses. To sustain a competitive advantage, an organization uses its own resources and capabilities, incapable of being rapidly developed elsewhere and firmly attached to the organization that deploys or uses them. In today’s competitive environment, to sustain a competitive advantage, firms need to provide value to customers. This value can either be cost advantage, services or differentiated strategies.

Resource based value theory focuses on the relationship between a firm’s internal resource stability and the ability to stay competitive through its strategy formulation (Delery & Doty, 2000). Proponents of the resource-based view of the firm argue that it is the range and manipulation of an organization’s resources, including HR, that give an organization its uniqueness and source of sustainable advantage. People possess skills, knowledge and abilities that provide economic value to firms—since firm investments to increase employee skills, knowledge and abilities carry both out-of-pocket and opportunity costs, they are only justified if they produce future returns via increased productivity. The higher the potential for employee contribution in a firm, the more likely it is that the firm will invest in human capital via HRM activities, and that these investments will lead to higher individual productivity and
firm performance (Becker et al., 2001). Therefore the concept of strategic management practices and organizational performance can be related to this theory.

2.7 Conceptual framework

A conceptual framework is an analytical tool with several variations and contexts (Orodho, 2006). It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply. Below is the diagrammatical representation of the conceptual framework. It includes both dependent and independent variables. The dependent variable is Performance while the independent variables are technology adoption, corporate restructuring strategy, retrenchment strategy and turnaround strategy. Each of the independent variables influences each of the other independent variables, and this is shown by the vertical arrows between the independent variables. In addition, the independent variables both individually and collectively influence the dependent variable, which is Performance. This is demonstrated by the horizontal arrows from the independent variables to the dependent variable.
Independent variables

New technology adoption
- Adoption of new technology
- Effective technology

Restructuring practices
- Top-down communication
- Lateral communication

Retrenchment practices
- Cutting operation costs
- Lay off employees

Turnaround practices
- Change in leadership
- Change in strategy

Dependent variables

Performance of MFIs:
- Market share
- Profitability
- Turnover

Figure 2.1. Conceptual framework
2.8 Research Gaps

There are various kinds of strategic management practices carried out by microfinance institutions in order to boost organizational performance. Therefore, strategic management practices attempt to attain the organizational goal of having and effective company strategy which enables all stakeholders to be part of the organization’s success. This study therefore intended to investigate the current strategic management practices in microfinance institutions in Nakuru County, in an attempt to establish the effects that they have on organizational performance. The study will help the management evaluate its strategic management practices in order to be able to utilize its resources more effectively and efficiently.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methods that were used in this study. The specific items to be covered included research design that was used, population sampling frame and sampling procedures that were used to select the respondents, data collection tools, pilot study and data analysis.

3.2 Research Design

A research design is the plan, structure of investigation conceived to obtain answers to research questions that includes an outline of the research work from hypothesis, methods and procedures for collecting and analysing data and presenting the results in a form that can be understood by all (Mugenda&Mugenda, 2003). In this study, the choice of the research design was guided by the research question(s) and objective(s), existing knowledge, time and resources (Kothari, 2004). This study adopted a descriptive survey research design. It focused on the influence of leadership development on performance of micro finance institutions in Nakuru County. The strategy was selected because it’s helpful in exploration to answer who, what, where and how questions in human resource research (Neuman, 2000).

3.3 Target Population

A population is defined as a complete set of individual cases or objects with some common observable characteristics (Mugenda&Mugenda, 2012). A particular population has some characteristics that differentiate it from other populations. The study focused on all micro finance institutions in Nakuru County.
Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management staff</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Junior staff</td>
<td>80</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.4 Sample and Sampling Technique

This is the method applied in selecting the subject from the sampling frame. It is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho & Kombo, 2002).

The study sampled 43 respondents from the target population, a sample that was spread across the entire County.

3.5 Data Collection Instruments

A questionnaire was used in this study to collect primary data. It is convenient and cost effective (Neuman, 2000). The purpose of this instrument in the research was to measure the variables of the study (Mugenda, 2008). The questionnaire contained both open and closed ended questions. The open ended questions were used to enable the respondents give their opinions or suggestions.

3.6 Validity of the Instruments

Validity is the extent to which a test measures what we actually wish to measure (Cooper and Schindler, 2003). The study used content validity measurement. It is concerned with the relevance and representativeness of items such as individual questions in a questionnaire to the intended setting (Jackson, 2012). It is a measure of the degree to which data collected using a particular instrument represents a specific domain of indicators or content of a particular concept.
The data collection instrument adequately covered the topics that have been defined as the relevant dimensions. This was determined through a careful definition of the topic, the items to be scaled and scales to be used. The measurement therefore, involved the degree to which the content of the items adequately represents the universe of all relevant items under study. The method that was used is judgmental. It is directly applicable without using the statistical procedure.

Construct validity was also used to measure the validity of instruments. The construct validity of a test assesses the extent to which a measuring instrument accurately measures a theoretical construct or trait that it is designed to measure. One means of establishing construct validity is by correlating performance on the test for which construct validity has already been determined (Patton, 2002). A validity coefficient is computed by correlating data obtained from different tools that measure the same construct or other closely related construct.

3.7 Reliability of the Instrument

A measure is reliable to the degree that it supplies consistent results. Reliability is a necessary contributor to validity, but it is not a sufficient condition for validity. Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. Reliable instruments can be used with confidence that transient and situational factors are not inferring. Reliable instruments are robust. They work well at different times under different conditions (Neuman, 2000). The study used internal consistency reliability (Cooper &Schidler, 2006). This approach use only one administration of an instrument or test to assess the internal consistency or homogeneity among the items. It indicates the homogeneity of the test (Mugenda, 2008).

3.8 Data Collection Procedure

The procedure that will be used to collect data will be influenced by the research instruments used
(Kombo & Tromp, 2006). The task of data collection begins after research problem and research design have been defined (Kothari, 2004). The primary data was collected by use of questionnaires that was self-administered to the respondents. Secondary data was collected by use of audited financial statements and accounts record from the respective MFIs. The researcher obtained permission from the necessary department and also from the university in order to commence the data collection exercise. Profitability data was obtained through secondary sources; through review of books of accounts for the MFIs.

3.9 Data Analysis and Presentation

The purpose of data analysis was to prepare raw data for presentation and statistical inference (Kombo & Tromp, 2006). The data collected went through data preparation, which involves editing, coding, classification and tabulation so that there are amendable to analysis (Marshall & Rossman, 2006). The primary data was analysed through descriptive statistics such as ratios, percentages and averages. Cooper & Schindler (2006) argued that the use of percentages is important for two reasons; first they simplify data by reducing the numbers to range between 0 and 100. Second, they translate the data to standard form with a base of 100 for relative comparisons and easier in interpretation.

Editing detects errors and omissions, corrects them when possible, and certifies that maximum data quality standards are achieved. The editing of data guaranteed that data are: accurate, consistent with the intent of the question and other information in the survey, uniformly entered and averaged to simplify the coding and tabulation (Neuman, 2000).

Coding involved assigning numbers to answers so that the responses would be grouped into a limited number of categories. Responses from the open-ended questions were coded and their frequencies determined through cross-tabulations on differences between respondents and the
central tendencies of the responses to each factor. To devise a descriptive framework, the main variable components, themes and issues in the research project will be identified (Yin, 2003). The analysed data was interpreted and presented in frequency tables. Each variable was analysed descriptively and then inferences made.
CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses the analysis findings and interpretation. The study sought to find the out the influence of strategic management practices on organizational performance a case of microfinances in Nakuru County. In order to achieve the study objective, the research was conducted through questionnaire which was used to obtain the required information. This chapter presents the findings generated from the study according to the study objectives.

4.2 Response Rate

Data was collected through the use of a semi-structured questionnaire which contained both open and closed ended questions administered to respondents of the study. The study targeted 53 questionnaires from the MFIs in Nakuru County, Kenya. Out of the 53 questionnaires, 43 questionnaires were returned and used for the analysis. The response rate for the study therefore was 81.1% which is significant enough to provide a reliable and valid conclusion about influence of strategic management practices on the organizational performance of MFIs in Nakuru County.

4.3 Demographic Characteristics of Respondents

This section presents the background information of the respondents including experience and their gender.

4.3.1 Experience of the Respondents

The study sought to find out the number of years the respondents have served in the MFIs. The findings are presented in Table 4.1.
Table 4.1: Experience of respondents

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0- 5 years</td>
<td>18</td>
<td>41.9</td>
</tr>
<tr>
<td>5-10 years</td>
<td>12</td>
<td>27.9</td>
</tr>
<tr>
<td>10-15 years</td>
<td>6</td>
<td>14.0</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>7</td>
<td>16.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the findings, majority (41.9%) of the respondents had 0-5 years of experience, 27.9% had 5-10 years, and 16.3% had over 15 years while 14.0% had between 10-15 years. This indicates that most of the respondents were knowledgeable enough about the topic of the study.

### 4.3.2 Respondents Gender

Table 4.2 shows the distribution of age of the respondents.

Table 4.2: Gender Distribution of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>58.1</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>41.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The findings revealed that 58.1% of the respondents were males while 41.9% were females.

### 4.4 Technology Adoption and the Performance of MFIs

The first research objective sought to find out the influence of adoption of new technology on organizational performance of MFIs. Table 4.1 shows the obtained results.
Table 4.3: Adoption of Technology

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organisation has adopted new technology</td>
<td>14.1</td>
<td>17.9</td>
<td>19.7</td>
<td>24.6</td>
<td>23.7</td>
<td>100</td>
</tr>
<tr>
<td>Adoption of new technology is effective in enhancing performance</td>
<td>4.7</td>
<td>1.9</td>
<td>18</td>
<td>34.8</td>
<td>40.6</td>
<td>100</td>
</tr>
<tr>
<td>Technology adoption is done in line with organisational strategy</td>
<td>29</td>
<td>14.7</td>
<td>1.1</td>
<td>36.3</td>
<td>18.9</td>
<td>100</td>
</tr>
<tr>
<td>The study results in table 4.3 indicated that 14.1% of the respondents</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>strongly disagreed, 17.9% disagreed, 19.7% were neutral, 24.6% agreed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>while 23.7% strongly agreed that their MFI has adopted new technology.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>In addition, majority (75.4%) agreed that adoption of new technology is</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>effective in enhancing performance while 6.6% disagreed. The rest 18%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>were neutral. Also, 29% and 14.7% strongly disagreed and disagreed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>respectively that the adoption of technology is done in line with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisational strategy. Further, 36.3% of the respondents agreed, 18.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agreed while 1.1% were neutral. In addition, the respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>were requested to rate the new technological improvements where they</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>indicated as follows in table 4.4.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.4: Effectiveness of New Technology

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>20</td>
<td>46.5</td>
</tr>
<tr>
<td>Effective</td>
<td>16</td>
<td>37.2</td>
</tr>
<tr>
<td>Defective</td>
<td>4</td>
<td>9.3</td>
</tr>
<tr>
<td>Very defective</td>
<td>3</td>
<td>6.9</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>100</td>
</tr>
</tbody>
</table>
Concerning effectiveness of the technology adopted, most respondents (46.5%) indicated that it was very effective and 37.2% said it was effective. In contrary, 9.3% said the technology was defective and 6.9% that it was very defective.

The study findings indicate that upgrading technology could vary from strengthening the current operation to investment in new processes and proper implementation are some of the major issues in the process. Most of the institutions upgraded their technology to be able to support their business model.

**4.5 Corporate Restructuring Strategy and the Performance of MFIs**

Research objective two sought to find out how corporate restructuring influences performance of MFIs. First, the respondents were asked whether the organisation formulates and implements corporate restructuring. Table 4.5 shows the results obtained.

**Table 4.5: Corporate Restructuring**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>41.9</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>58.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the results, it was revealed that most MFIs had not adopted corporate restructuring as indicated by 58.1% of the respondents while 41.9% had adopted.

In addition, the respondents were required to indicate whether corporate restructuring is effective.
Table 4.6: Effectiveness of corporate restructuring

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>12</td>
<td>27.9</td>
</tr>
<tr>
<td>Effective</td>
<td>14</td>
<td>32.6</td>
</tr>
<tr>
<td>Defective</td>
<td>11</td>
<td>25.6</td>
</tr>
<tr>
<td>Very defective</td>
<td>6</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From their responses, 32.6% said that corporate restructuring was effective, 27.9% said it was very effective, 25.6% indicated it was defective while 14.0% said it was very defective.

4.6 Retrenchment Strategy and the Performance of MFIs

The third objective sought to find out the influence of retrenchment strategy on the MFIs Performance. From table 4.7, the respondents were to indicate their responses using the scale of 1 to 5, where; 1 = strongly agree; 2 = agree; 3 = neutral; 4 = Disagree and 5 = strongly Disagree.

Table 4.7: Retrenchment Strategy

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retrenchment is effective in improving performance</td>
<td>4.1</td>
<td>17.9</td>
<td>9.7</td>
<td>34.6</td>
<td>33.7</td>
<td>100</td>
</tr>
<tr>
<td>Different stakeholders are widely consulted during the retrenchment process</td>
<td>21.4</td>
<td>11.6</td>
<td>19</td>
<td>26.4</td>
<td>21.6</td>
<td>100</td>
</tr>
<tr>
<td>Cutting operating costs improves performance of the organization</td>
<td>29.2</td>
<td>18.2</td>
<td>12.2</td>
<td>22.1</td>
<td>18.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Majority of the respondents 34.6% and 33.7% agreed and strongly agreed respectively that retrenchment is effective in improving performance. 4.1% strongly disagreed, 17.9% disagreed
while 9.7% were neutral. The results also show that 26.4% of the respondents and 21.6% agreed and strongly agreed that different stakeholders are widely consulted during the retrenchment process. However, 21.4% and 11.6% strongly disagreed and disagreed respectively. Cutting operating costs in organization was also found to improve performance of the organization according to 22.1% and 18.3% of the respondents. 29.2% and 18.2% however strongly disagreed and disagreed respectively. From the findings, it was evident that most of the retrenchment strategies affected the respective MFIs performance.

4.7 Turnaround Strategy and the Performance of MFIs

The final objective sought to establish the influence of turnaround strategy on performance of MFIs where the results obtained were indicated in figure 4.8 as follows. First, the respondents indicated yes, that their organization formulates and implements turnaround strategy as indicated by 76.7% while the rest 23.3% indicated no. In response to influence of turnaround strategies, the results were as indicated in table 4.8.

Table 4.8: Turnaround Strategy

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnaround strategy is effective as a strategic management strategy</td>
<td>11.1</td>
<td>19.9</td>
<td>11.7</td>
<td>27.6</td>
<td>29.7</td>
<td>100</td>
</tr>
<tr>
<td>The turnaround strategy of our organization is</td>
<td>19.2</td>
<td>21.6</td>
<td>15.9</td>
<td>22.4</td>
<td>20.9</td>
<td>100</td>
</tr>
<tr>
<td>effective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.8 shows that 29.7% strongly agreed and 27.6% agreed that turnaround strategy is effective as a strategic management strategy. 11.1% strongly disagreed and 19.9% disagreed while 11.7% were neutral. The study also indicated that 22.4% agreed, 20.9% strongly agreed, 19.2% strongly
disagreed and 21.6% disagreed while 15.9% were neutral. All the respondents from the two sampled MFIs indicated that the turnaround strategy adopted had a positive effect on the performance of the organization. The respondents cited that there was great improvements and innovation in service delivery as a result of the turnaround strategy adopted, and this may be credited to the fact that the institutions were more customer focused and thus were able to address the emerging issues as they identify and implement the various strategies.

Further, the study also established the various challenges faced in the implementation of turnaround strategy. These challenges included limited funds to carry out extensive marketing, inadequate internal processes to support new strategy, failure to identify the appropriate strategy that addresses all the needs of the business, system incompatibility thus taking too long to implement, high expectation from customers and other stakeholders, inappropriate skills to execute the identified strategy, and resistance to change as employee wanted status quo, among many others.
CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
The purpose of this study was to investigate the influence of strategic management practices on the performance of microfinance institutions in Kenya. This chapter looks at the conclusion of the findings according to the study objectives formulated in chapter one. It also summarizes the findings, discusses the findings suggests areas for further research.

5.2 Summary of the Findings
The study indicated that all the respondents were aware of the various turnaround strategies implemented in their institutions. This therefore directed to the inference that the turnaround strategy had a great impact on the transformation of any institution and in effect its sustainability. It was generally noted from the respondent that a change in the leadership of the institution and forming a credible team at the top was critical.

This is because new leaders are more likely to break the old rules of the game, be less committed to past policies and to stop attributing problems to external uncontrollable forces. Moreover newly appointed leaders could bring with them an ability to facilitate greater levels of change in the organization’s strategies, processes and structures as stated by Barker and Duhaime, (1997). They also provide fresh perspectives and critical turnaround skills and indicate a level of seriousness about the state of the organization. Interestingly, these arguments with respect to the positive effect of leadership changes on turnaround sit well with other findings in the literature and draw attention to the adverse influence of long top-management tenure on corporate turnaround and the likelihood
that long tenured executives will become conservative and may avoid the implementation of the strategic change when necessary.

It was also cited that change in the overall organizational strategy was important to successfully achieve a turnaround. As earlier stated in the literature, it is the nature, in which an organization develops, utilizes and amalgamate organizational structure control systems and culture to follow strategies that lead to competitive advantage and better performance. Thus if an organization wants to implement its strategies, it would neglect variables in the organizational context that could hinder effective strategy implantation. Further, reviews of literature indicate that it is not possible to achieve effective strategy implementation if there is no stability between strategy and each organizational dimension such as structure, reward policy and resource allocation.

The proposed action on retrenchment of assets and people was cited as not a better option for most respondents. This could be attributed to the fact that the proposed actions might have cost implications which would be far reaching in achieving the chosen strategy. Also it might be because the actions may create demoralization, dampen organizational productivity and increase voluntary retrenchment, discourage the organizations’ most talented and productive members who will end up leaving the organizations.

The findings indicated that upgrading technology system was of utmost importance. This was because; IT systems had important contributions to the managerial control of MFIs as well as the efficiency of customer services. Porter and Millar (1985) argued that investing in IT played an
important role in lowering the total costs of a firm (giving a cost advantage) and differentiated its products (giving a competitive advantage), which would be reflected in increased net profit.

Corporate restructuring was also deemed critical since it often involved stabilizing and containing the crisis in order to stop any further damage to the company. Once corporate restructuring experts have exercised the relevant damage limitation processes, they could offer advice and assistance to management teams in order to develop and implement an effective strategy to turn the business around. This was followed by a period of planned restructuring during which the company might undergo significant change to its structure and processes in order to maximize the profits of the firm.

Specialists in restructuring are adept at presenting the options available to the business and analyzing the impact and potential effects of changes to the company structure. Due to their experience, corporate restructuring consultants were able to provide forecasts which indicated how potential changes were likely to affect the business. This enabled them to successfully build new business strategies or modify existing company strategies to reflect the changes to the business and its operational procedures.

The third objective sought to find out the impact of retrenchment or cut back strategies on the MFIs performance. From the table findings, it is evident that most of the retrenchment strategies affected the MFIs performance such as cutting operating costs. The findings content with arguments by Geroski and Gregg's (1997) who found that most firms adjusted by refocusing the business, saw generally regarding controlling expenses, especially by laying off work and shutting
foundations. Growing or diminishing product offerings was a great deal less basic. The authors contended that, amid monetary emergencies, firms have extra motivating forces to cut expenses, as opposed to repeating upturns where there is less impetus to do as such on the grounds that incomes are rising. Then again, these discoveries resound those of Gandolfi and Neck, (2008).

A large number of studies, cross-sectional and longitudinal, have demonstrated that while a few firms have reported money related changes Sahdev, (2003), the lion's share of scaled back firms have not possessed the capacity to procure enhanced levels of proficiency, viability, efficiency and benefit Gandolfi, (2009). The cutting back writing depicts an overwhelmingly negative photo of the monetary advantages of scaling back. There is solid confirmation recommending that an unadulterated scaling back methodology is probably not going to be powerful Macky, (2004). Numerous cutting back endeavors have appeared to create money related results that are terrible and financial outcomes that are destroying, Burke and Greenglass (2000).

**5.3 Discussion of Findings**

The study results as indicated in table 4.3 indicated that 48% of the respondents agreed that their MFI had adopted new technology whereas majority also agreed that adoption of new technology was effective in enhancing performance in supporting these findings, Porter and Millar (1985) recognized the role that investing in IT played as far as lowering the total costs of a firm (giving a cost advantage) and differentiated its products (giving a competitive advantage), which would be reflected in increased net profit. However, they added that when obsolete technologies and processes are maintained within the organization, they cause organizations to decline in their processes, yet these involves huge investments for upgrading, in the long-term it can be very useful as a cost cutting tool.
The study findings indicate that upgrading technology could vary from strengthening the current operation to investment in new processes and proper implementation are some of the major issues in the process. The MFIs had upgraded their technology to be able to support their business model. KWFT, specifically had to equip their deposit taking branches with new software, on the other hand Faulu Kenya had to adopt a new system in the establishment. In some case, the systems became unreliable due to problems in the database and the system upgrade. It is therefore critical that prior to choosing the ICT system, the organization should get references from other institutions with similar structures, or business models operating in similar environments. Also a detailed analysis of the system should be sought before investing in the system and a strong project management is deployed at the start of the system use. Lastly a testing period should be planned and contingency plan developed in case of system failure.

The study also revealed that corporate restructuring strategy had been adopted by most MFIs and was effective as indicated by 58% of the respondents. Elsewhere, Nadler and Tushman (1990) characterize how organizational change can (among other types) take the form of re-orientations and re-creations. Organizational changes to implement strategic changes are essential ingredients of turnaround. The importance of such forms change is in enabling companies to survive and adapt in turbulent environments has also been acknowledged in the field of strategy as stated by Hamel et.al (1994). Creation of new teams for a series of change initiatives, relocation of staff and stopping some of the non-value adding activities, restructuring departments to meet the requirements of the market and availability of skilled people are some of the structural organizational changes recommended by the respondents in the study.
In the case of KWFT, the transformation resulted in the creation of separate departments for finance, ICT, human resource management and administration. It was reported that in the past, all the four areas were combined in one department which fell under the direct responsibility of a general manager. In Faulu Kenya, the governance level changed by ensuring appointment of board members to form new board committees, which did not previously exist. It is at this point that the choice of new investors is introduced gradually and it must be done carefully. For instance, Faulu Kenya is keen to identify new, likeminded shareholders/investors who share their social objectives.

From the study, retrenchment strategy was also found effective in improving performance of MFIs. Retrenchment strategies include cutting working expenses and divestment of non-center resources. In times of turbulent environment, business skylines regularly abbreviate with owners/managers concentrating on quick survival as opposed to on long haul points. Trusting it is less demanding to lessen costs than produce extra income, numerous organizations conserve. Geroski and Gregg's (1997) investigation of 600 for the most part substantial UK manufacturing and service organizations amid the mid-1990s swelling found that most firms adjusted by refocusing the business, saw to a great extent as far as controlling expenses, especially by laying off work and shutting foundations. Extending or decreasing product offerings was substantially less regular. The creators contended that, amid monetary emergencies, firms have extra motivators to cut expenses, as opposed to recurrent upturns where there is less impetus to do as such in light of the fact that incomes are rising. Interest in plant and gear declined yet interest in intangibles like preparing, innovative work, and promoting was influenced less by this. Just a little number of organizations presented venture arranges in light of the fact that they had the assets and time to do as such.
Alamdari and Fagan (2005) passed on a model-based study, by looking at the feasibility of the simplicity show and the effect on the benefit of banks. They found that the keep cash with the most negligible costs would win the most shocking advantages in the event when the fighting things are fundamentally undifferentiated, and offering at a standard market cost. Organizations taking after this framework put highlight on cost decreasing in every activity in the regard chain. They however found that the association's focus on reducing costs, even every so often to the impediment of other basic components, may end up being prevailing to the point that the organization loses vision of why it set out on one such philosophy regardless.

Concerning turnaround strategy, the study revealed that more than 57% of the respondents agreed that this is an effective strategic management strategy. A successful turnaround depends on developing appropriate turnaround prescription and implementation of effective turnaround plan. A successful turnaround plan consists of seven essential ingredients and an implementation framework. The implementation framework has seven key work streams. The appropriate rescue plan or turnaround prescription must addresses the fundamental problems, tackle the underlying causes and be broad and deep enough in scope to resolve all the key issues. Organizations have to make a series of action choices during the turnaround process. Effective action choices lead to improvement in performance in terms of productivity and resources. On the other hand, ineffective action choices can worsen the condition, even ending up with the dissolution of the company. Often, the top management arrives at decisions regarding these action choices with the help of external assistance like consultants.
5.4 Conclusion

The study concludes that the MFIs in Kenya have adopted strategic management practices to enhance their performance and overall growth. It is noted that the strategic management practices have influenced the performance of the MFIs in a positive way. Organizations which believe in their future must invest in proper implementation of corporate strategies. They need determined leadership, dedication, excellent communication and must start from very strong foundations of implementing the desired strategies. Investing in staff trainings and capacity building of all stakeholders in the strategy adopted is critical. It can be concluded that adoption of new technology influenced the performance of MFIs in Nakuru County. This adoption led to improvement in performance of the MFIs.

Corporate restructuring, retrenchment strategy and turnaround strategy also influenced the performance of MFIs. Most organizations have implemented the turnaround strategies, although their journey has been with a myriad of challenges. The process of strategy implementation takes a longer time than expected and cost far more than initial estimates. Therefore there is need for commitment from management and a call for ownership from all stakeholders to ensure successful implementation.

5.5 Recommendations

Based on the study findings, the study makes the following recommendations.

This study recommends that in order to deal with the challenges faced by large MFIs in the implementation of the turnaround strategy, the management should undertake a progressive transformation in phases, leaving time for adjustments at each phase. They should also provide
full financial support and prudent planning since implementation of corporate strategies are very costly in term of time, finances and human resources.

A very strong commitment towards good governance is essential for successful implementation of the turnaround. In addition, extensive capacity building on the subject of turnaround should be carried out to help the employees and all stakeholders take ownership of the process.

Adequate funds should be set aside to undertake market research and product development to be able to sufficiently address the emerging needs of the customers. Additionally, it is important to improve on Information, Communications and Technology which is necessary in enhancing efficiency in operations.

Investing in IT played an important role in lowering the total costs of a firm and differentiated its products (giving a competitive advantage), which would be reflected in increased net profit. The study therefore recommends that the current leadership in the institutions be improved, strengthened especially by inculcating a positive culture to guarantee success of the organization. In addition, the study further recommends that the MFI sector should focus on more effective cut back and retrenchment strategies not because other institutions are engaging in, but only if the decisions will benefit the MFIs positively.

The study recommends that there is need to enhance leadership style in the organization as this will help in the organizational restructuring. The study also recommends that there is need to ensure there was top management support, better communication within the organization, finances,
employee involvement and support, enough employees in the organization, good desirable leadership style and supportive organization culture as this will support organizational restructuring.

5.6 Suggestions for Further Studies

The researcher recommends further research in the area of the challenges facing MFIs in strategic management strategies in Kenya. The researcher further recommends a study be carried out on the effect of competition on the performance of MFIs in Kenya.
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APPENDICIES

APPENDIX I: LETTER OF CONSENT

Hellen NdaruMuli

L50/845772016

Dear Respondent,

I am Hellen NdaruMuli student studying for Masters in Project Planning and Management at University of Nairobi, Kitui Campus. I am doing research on the Effects of strategic management practices on organizational performance in microfinance institutions in Nakuru County. I am therefore requesting you to assist me complete the research by completing the questionnaire below. The information you give will be treated as confidential.

Thanking you in advance.

Yours faithfully,

Hellen Muli

UON, STUDENT.
APPENDIX II: QUESTIONNAIRE

INTRODUCTION

I am a student of University of Nairobi, Kitui Campus carrying out a research for the award of masters in project planning and management. This research is purely for academic purposes kindly respond to these questions as honest as possible. All responses will be treated with confidentiality. Please tick appropriately or fill the required information in the space provided.

SECTION (A): BACKGROUND DATA

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

2. For how long have been with MFIs?
   (a) 0 – 5 years ( )
   (b) 5 – 10 years ( )
   (c) 10 – 15 years ( )
   (d) Over 15 years ( )

3. What is your Job Group?
   (a) A – D ( )
   (b) E – H ( )
   (c) J – L ( )
   (d) Above L ( )

SECTION B: TURNAROUND STRATEGY

1. Do you agree that turnaround strategy is effective as a strategic management strategy?
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

2. Did MFI formulate and implement a turnaround strategy?
   Yes ( )
   No ( )

3. Who were the key players in implementing the turnaround strategy?

____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
4. Which key areas were affected by the turnaround strategy?
   Organizational structure ( )
   Leadership ( )
   Culture ( )
   Systems and Processes ( )
   Technology ( )
   Human Resources ( )
   If others, specify:
   ____________________________________________
   ____________________________________________
   ____________________________________________

5. The turnaround strategy of our organization is effective:
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

6. What are the major challenges faced when implementing the turnaround strategy?
   ____________________________________________
   ____________________________________________
   ____________________________________________

7. How do you think the turnaround strategy can be improved?
   ____________________________________________
   ____________________________________________
   ____________________________________________

SECTION C: CORPORATE RESTRUCTURING

1. Does your organization formulate and implement corporate restructuring?
   Yes
   No

2. In your opinion, do you think corporate restructuring is effective?
   Very Effective ( ) Effective ( ) Defective ( ) Very Defective ( )

3. Who are the key players at organization who formulate and implement corporate restructuring?
4. What are the major steps taken when implementing corporate restructuring?

5. Which sectors of organization are affected by corporate restructuring?

6. What are the major challenges faced when implementing corporate restructuring?

7. How do you think corporate restructuring can be improved?

SECTION D: RETRENCHMENT

1. Does organization formulate and implement a formal retrenchment process?
   Yes
   No

2. In my opinion, retrenchment is effective in improving performance?
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

3. Different stakeholders are widely consulted during the retrenchment process?
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

4. Cutting operating costs improves performance of the organization.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

5. What are the major steps taken when implementing retrenchment?
SECTION E: ADOPTION OF NEW TECHNOLOGY

1. Our organization has embraced new technology.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

2. The adoption of new technology is effective in enhancing performance.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

3. How would you rate the new technological improvements in your organization:
   Very effective ( ) effective ( ) defective ( ) very defective ( )

4. Technology adoption is done in line with the organization strategy.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

5. How do you think the adoption of technology can be improved?

6. What challenges are encountered in the adoption of new technology?
SECTION E: ORGANIZATIONAL PERFORMANCE

1. How can you rate your firm’s performance in terms of profitability for the last five years
   Excellent ( ) Good ( ) Average ( ) Poor ( )

2. The institution has relevant performance indicators for all activities of the Institution.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

3. What performance indicators does MFI use to measure success?

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

4. The organization’s strategic results achieved, meet the organization objectives.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

5. The Institution has a framework on fixing benchmark of performance.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

6. The Institution’s performance is closely linked to the planning strategy.
   Strongly agree ( ) Agree ( ) Disagree ( ) strongly disagree ( )

7. What performance changes have been observed in your organization in relation to strategy implementation?

8. Please indicate in the table below the extent in which your firm has grown for the last five years in the areas listed therein. Tick the box that’s appropriate;
   1 – Not At All, 2 - Minimal Extent, 3 – Moderate Extent, 4 – Large Extent

<table>
<thead>
<tr>
<th>Area</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased tax collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased number of employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased market share</td>
<td></td>
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Thank You for Your Cooperation