

**STRATEGIC RESPONSES BY MWALIMU SACCO SOCIETY LIMITED
TO CHALLENGES OF COMPETITION**

BY

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DECLARATION

STUDENT'S DECLARATION

I hereby declare that the work contained in this proposal is my original work and has not been previously, in its entirety or in part, been presented at any other university for a degree requisite.

All the references cited in the text have been duly acknowledged.

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SUPERVISOR'S DECLARATION

This project has been presented with my approval as the supervisor of the student and the University Of Nairobi, School of Business

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DEDICATION

To my family members, friends, working colleagues and lecturers in the university of Nairobi, School of Business.

This MBA dream could not have been realized without encouragement from a section of friends and family members who constantly encouraged me to move on even when at times the going was very rough. My late mom who would have been very proud to witness my graduation. My dad Peter Waweru and my parent in-law Kinuthia wa Wairimu and Christine Waithira who have been always there to give me a word of encouragement.

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ABSTRACT

The competitive environment is largely uncontrollable and very wide in scope. This is significant to an organization because changes brought by the external environment are uncontrollable and require to be responded to otherwise the organization will experience a strategic misfit and success will be difficult. The success of every organization is therefore determined by its responsiveness to the environment. Organizations have to adequately and promptly respond to challenges of competition in the environment for the organization to be successful. Ansoff (1999) brought out the need of organizations to match their strategies to the level of competitiveness in the operating environment. The environment in which businesses operate faces stiff competition due to the existence of other firms producing and/or selling the same products or services. Businesses have as a result to cope with the competition by adopting strategic responses to it or risk being thrown out of the market by the same competition.

The study aimed to establish the strategic responses of Mwalimu Sacco to competition from other financial institutions and to determine the challenges that Mwalimu Sacco face from competition. This research was conducted through a case study. The researcher used Interview guide as primary data collection instrument. Data collected was purely qualitative and it was analyzed by content analysis

From the findings, the study concludes that Mwalimu Sacco has effectively been responding to challenges brought about by competition from other Saccos and other financial institutions. The study further concludes that strategies Mwalimu Sacco use to respond to the challenges of competition include repackaging/rebranding of the loan products, training of staff, continuous research and development, aggressive promotion, regular review of interest rates, sourcing for cheaper sources of funds and benchmarking with other competitors. From the discussions and conclusions, the study recommends that although Mwalimu Sacco has been successful in neutralizing the challenges brought about by competition, Mwalimu Sacco should engage in more interest reduction as a response to its competitors strategies whose products and services are much cheaper.

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ACRONYMS AND ABBREVIATIONS

CEO	-	Chief Executive Officer
WSF	-	Withdraw Saving Fund
ICT	-	Information Communication Technology
KUSCCO	-	Kenya Union of Saving and Credit Cooperative Societies
SACCO	-	Saving and credit cooperative Society
KNFC	-	Kenya National Federation of Cooperative
MBA	-	Masters in Business Administration
KFA	-	Kenya Farmers Association
FOSA	-	Front Office Services Activities
ATM	-	Automated Teller Machine
TSC	-	Teachers Services Commission
ADM	-	Annual Delegate Meeting
IT	-	Information Technology
ISO	-	International Standards Organizations
QMS	-	Quality Management Systems
CMIS	-	Cooperatives Management Information Systems
VMI	-	Vendor managed Inventories

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The competitive environment is largely uncontrollable and very wide in scope. This is significant to an organization because changes brought by the external environment are uncontrollable and require to be responded to otherwise the organization will experience a strategic misfit and success will be difficult. The success of every organization is therefore determined by its responsiveness to the environment. The firm competitive environment is the set of factors the threat of new entrants, suppliers, buyers, product substitutes, and the intensity of rivalry among competitors that directly influences a firm and its competitive actions and responses. Strategic response can be seen as the matching of activities of an organisation to the environment in which it operates

This chapter covers the background on the strategic responses of a firm to challenges of competition. It begins by discussing the concept of Strategy followed by a brief discussion of the strategic responses then the concept of competition and also relates strategic responses and competition. It articulates the co-operative movement in Kenya, Mwalimu Sacco Society Limited, statement of the problem, the objectives of the study and thereafter, the significance of the study.

1.1.1 Strategy

Strategy concerns what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980). The principal concern of an organization strategy is identifying the business areas in which an organization should participate in to maximize its long run profitability. Johnson and Scholes (1999) view strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations. Goldsmith (1995) points out that strategy comprises actions employed to meet a firm's long-term objectives. Pearce and Robison (2000) have recommended three critical ingredients for the success of strategy. These are: Strategy must be consistent with

conditions in the competitive environment, it must take advantage of existing and emerging opportunities and minimize the impact of major threats, and strategy must place realistic requirements on the firm's resources.

Strategy, according to Hill and Jones (2001) is an action that a company takes to attain one or more of its goals. More precisely, it is the action that an organization takes to attain superior performance. Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission (Thompson and Strickland, 1993). Andrews (1971) in a more elaborative version, recognized strategy as the pattern of major objectives, purposes or goals, stated in such way as to define what business the company is in or is to be in, and the kind of company it is to be.

Ansoff (1988) states that the interest in strategy is as a result of the realization that the firm's environment has become increasingly subject to change, unpredictable and discontinuous from the past. As a result, objectives alone are insufficient as decision rules for guiding the firm's strategic reorientation as it adapts to challenges, threats and opportunities. Porter (1996) views strategy as the creation of a unique and valuable position involving a different set of activities. To achieve that position, the organization must make tradeoffs in determining what to do and what not to do in performing activities differently from its rivals. Strategy is a set of decision making rules for guidance of organizational behavior (Ansoff, 1965). Strategy is a means of solving strategic problems, which are a mismatch between the internal characteristics of an organization and the external environment, to exploit opportunities existing in the external environment (Aosa, 1998).

1.1.2 Strategic Responses

Pearce and Robinson (1997) defines Strategic response as the set of decisions and actions that results in the formalization and implementation of plans designed to achieve a firm's objectives. Ansoff (1990) notes that strategic response involves changes in the firm's strategic behaviors to ensure success in transforming future environment. Strategic response is thus a reaction to what is happening or expected to happen in the environment.

The survival of a firm is dependent on the strategic responses to environmental changes. There are two broad levels of strategic responses in organization. These are strategies and operational responses. The strategic responses are at two levels, where we have corporate and business responses. According to Johnson and Scholes, (2002) the corporate level strategy deals with overall scope and purpose of the organization and ensures the stakeholder expectations are met. It enables the business decide which business lines to concentration through diversification integration, divestiture and portfolio management.

The business level strategy determines and defines how the organization competes in its market and how long-range objectives will be achieved. This can either be through existing or new products and markets. It involves fitting new strategies to changing business environment or stretching and exploiting the competences of an organization. It can also be achieved through meeting the expectation created by the regulatory and governance framework, powerful stakeholder, ethical consideration and culture .Bowman (1998) noted that a business strategy critically address the following questions. What market should we be trying to compete in? How should we try to compete in those segments? What key competencies do we need to build to realize their competitive strategy? What do we look like now? And lastly how can we move forward?

By an organization responding to these questions, they are clearly able decide the response strategy to adopt. Functional divisions undertake the operational level strategies which contain more specific guidelines needed for business operating components; for example the Finance Department Strategies focus on allocation of money in the organization while accounting and control focus on how money is used.

Manufacturing Department Strategies focus on products to be produced quantities required and periods when required while, the human resources strategies deals with acquisition and retention of human resources in various functional levels of the organization. According to Bowman (1998), the functional structure in an organization enables a firm to gain the specialization benefits and link the functional level strategies with the business strategy (Ansoff, 1990).

1.1.3 Competition

George and Stigler (2008) define Competition as a contest between individuals, groups, nations, companies, businesses, etc. for territory or allocation of resources. It arises whenever two or more parties strive for a goal which cannot be shared. In business there are two conventional types of competition, the imperfect (monopolistic) and perfect competition. In monopolistic competition, just like with oligopolistic competition, there is intervention by the government or collusion by firms to exclude potential entrants that might compete with the operative firms. (Clarks 2000) perfect competition, also known as resource based competition, means that profits arise through efficiency and superior resources or intangible assets (Hamel and Prahalad, 1190) Pearce and Robinson (1997) hand noted that “the essence of strategy formulating is coping with competition”. The industry attractiveness and competitive position of a firm largely influence and shape the choice of competitive strategies adopted. This is therefore seen as the key role of Managers in an organization. Porter (1985) stated that “Competition is at the core of success or failure of firms”. While competitive forces in the industry can either be passive or active and this determines the profitability or the attractiveness of the industry which is a key consideration for entry or exit. Competition in an industry continually work to drive down the rate of return on capital invested. If the returns are below the expected rate, in the long run the investors seek alternative industries.

Therefore, the primary objective of managers of profit seeking organizations is to maximize the performance of the firm over time (Rappaport, 1981; Treynor, 1981; Van Horne, 1992). Bowman and Helfat (2001) found that corporate strategy is an essential management tool and is important to firm performance, and achieving a performance advantage through strategic initiatives is increasingly important in the financial services industry (Farrance, 1993; Wilkinson and Balmer, 1996; Young, 1999; Devlin, 2000).

Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition which is among the strategic responses that a firm can adopt. If a firm does not pursue one of these strategy types, it

will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980).

Day and Wensley (1988) argue that competitive methods consist of skills and resources that are available for use by firms in a competitive industry. They define superior skills in terms of staff capability, systems, or marketing savvy not possessed by a competitor. A superior resource is defined in terms of physical resources that are available to help strategic implementation. Examples include operating scale, location, comprehensiveness of a distribution system, brand equity, or manufacturing or processing assets. They conclude that establishing a generic strategy based positional advantage in the marketplace will provide a firm with superior performance.

Bharadwaj et al, (1993) suggest that a competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit, and normally requires the transformation of multiple competitive methods. The ability to implant a cost leadership, differentiation, or focus strategy is dependent on a firm's ability to develop a specific set of competitive methods. This becomes the basis for the achievement of above average industry performance.

Some contend that firms can follow both cost leadership and differentiation strategies simultaneously (Murray, 1988); however the issue remains unresolved. Indeed, Miller (1992) argues that the pursuit of a pure strategy (i.e. a strategic response that does not mix emphasis on both cost and differentiation competitive methods), as compared to a hybrid strategy where firms place similar emphasis on both differentiation and cost leadership competitive methods simultaneously, is beneficial in markets where consumers exhibit strong preferences for either quality or price. He states that “Pure cost leadership is most effective when customers are sensitive to price and when there is a fighting chance to maintain a cost advantage because of economies of scale, proprietary technology, or unique access to cheap materials or channels of distribution” (Miller, 1992, p. 40). Because Sacco’s customers are sensitive to both loan and deposit rates, a SACCO Society following a cost leadership strategy may realize a performance advantage over competitors that pursue another generic strategy type or those that are stuck-in-the-middle.

It should be noted that Porter (1980) indicates that firms cannot focus solely on a cost leadership or differentiation strategy to the exclusion of other strategies. He contends that cost leaders must devote some resources to differentiation activity, and those that pursue a differentiation strategy cannot do so to the detriment of their cost structure. Prior research has identified hybrid strategies, which are those with simultaneous emphasis on both cost and differentiation competitive methods (Wagner and Digman, 1997). A stuck-in-the-middle position is difficult to identify and prior research may have incorrectly classified hybrid generic strategies and stuck-in-the-middle positions as equivalent. Also, these classifications may have been inconsistently interpreted and applied from study to study (Wagner and Digman, 1997).

Research on generic strategies has identified a tenuous link between an organization's attention to one of the Porter (1980) generic strategy types and performance. Some studies have found support for a single-strategy performance benefit (Hambrick, 1983). Other research has shown that it is possible to pursue a strategy that includes both cost and differentiation competitive methods (Miller and Friesen, 1986a) although a performance benefit is not always evident. In a service industry, Kumar et al. (1997) found that hospitals follow five generic strategy groups and conclude that a focused cost leadership strategy is the best route to superior performance.

In a meta analysis of strategy research, Campbell-Hunt (2000) found that Porter's (1980) generic strategy classifications are capable of discriminating between competitive strategy designs in empirical research and called for repetition of prior studies in different industries using identical competitive methods on which a principal component solution can be employed. Knowing your competition is the first step in outselling or outperforming them. You may not need to keep tabs on every single company that participates in the same area of the industry as you, since some of these will be small businesses that make several of the mistakes we've previously discussed and fall off the radar quickly. However, you should keep a close eye on heavy competitors, usually the top three or four at least. (George Stigler, 2008) This will keep you abreast of what you need to do to better your own business and make sure that consumers know why they are choosing your goods and services over the others.

1.1.4 Strategic Responses and Competition

Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require management decisions to be founded on well conceived strategies. Clearly defined strategies and plans are vital if the firm is to achieve its objectives while optimizing the use of its limited resources. One important strategic direction that a firm may undertake is to be more market orientated (Stalk and Hout, 1990).

Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. These forces have forced many companies to critically assess their key competencies and to develop strategies to compete effectively in a global economy. At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down. According to Andrews (1971) underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy. Throughout the 1990s, firms examined and, in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving product and process design, implementing process control, and continually improving processes (Burns, 1961). Total quality management became a major element in corporate strategy (Calingo, 1989). Indeed significant numbers of large firms adopted quality programs during the 1990s (Cvar, 1984) though with mixed results.

Quality improvement is but one-way for an organization to improve its competitiveness. Even in the absence of competition, improvements in quality can facilitate an organization's competitiveness, though as witnessed over the last decade, competition has for many organizations been the driver of quality improvement efforts.

Commercial openings and economic activities resulting from globalization have introduced new competitive strategies among organisations. The Sacco industry is not exempt from this new world context. Market changes are affecting the entire sector and the search for quality to satisfy customers is making enterprises even more competitive. In terms of the Sacco industry, the

products and services must satisfy consumers, and meet demands for high standards related to comfort, innovation and technology.

Such a competitive scenario, generated by the need for new products to be introduced in the market in a short time, according to the customers' needs and expectations, meets the newest competitive strategy paradigm: time-based competition (Stalk and Hout, 1990). Time reduction in each phase from product creation to delivery makes companies more integrated with the customers' constantly changing needs, transforming their response time in relation to innovation faster. This factor increases competitiveness and market share. In this case, the total cycle time must be drastically reduced, which means that all business relevant activities such as manufacturing, order processing, materials acquisition and deliveries, among others, must be reassessed, in order to keep the customers' satisfaction in focus.

According to Porter (1985), a firm can gain competitive advantage if it is able to create value for its buyers, and, "Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition." Companies can provide this superior value by offering products/services that are lower in prices than that of its competitors, or by offering benefits that are so unique that consumers are willing to pay a higher price for it. The former generic strategy is called the strategy of cost leadership while the latter is labeled the strategy of differentiation. A third strategy, focus, is when a firm chooses a narrow segment within its industry and tailors its offerings (strategy) to that segment. Finally, Porter labels firms that follow each generic strategy but do not achieve any of them as "stuck in the middle".

If a firm wishes to pursue the strategy of cost leadership, it has to be the low cost producer in its industry. A firm may gain cost advantage through economies of scale, proprietary technology, cheap raw material, etc. The strategy of differentiation can be used by offering a different product, a different delivery system, a different marketing approach, or by emphasizing different functional areas within the firm. Firms can also rely on process innovations and take advantage of the experience curve phenomenon to improve product quality (Gale & Klavans 1985).

1.1.5 The Co-operative Movement in Kenya.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic cultural needs and aspirations through a jointly owned and democratically controlled enterprise (co-operative societies Act,cap.490,1965).The key idea behind a co-operative society is to pool the scarce resources', eliminate the middlemen and to achieve a common goal or interest.

Co-operations has been practiced by people from time immemorial. People organised themselves to graze cattle communally, built houses, go hunting and even dig sambas together (Mutura, 2006).

Modern co-operative as a practice started in the year 1844 in Britain by Rochdale Pioneers and its principals are followed world wide(KLB,2003).These principals are as follows: voluntary and open membership, democratic administration, limited interest on share capital, cooperation with other cooperatives , promotion of education and provision of dividends to members.

The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908. The cooperative was called Lubwa Farmers Cooperative Society (Mutura, 2006).It was not until 1931 when the cooperative societies ordinance became law that these societies could formally be registered as cooperatives. The first society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923.A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year (kibanga, 2004).

By independence time, there were over 600 primary co-operatives in Kenya. Kenya National Federation of Cooperatives (KNFC) was formed in 1964 and in 1966 a new Act was passed under cap 490 of the laws of Kenya. There are 5,122 registered Saccos out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 Saccos, 150 are rural Saccos (commodity based) while the rest are Urban Saccos (employee based). Saccos have registered tremendous growth since mid 70s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. Currently Saccos have 3.7million members. Saccos have also created employment for Kenyans thus contributing to the governments efforts of achieving the goals of vision 2030 (<http://www.sccportal.org/>).

Primary cooperatives comprise groups of individuals who are either actual producers of products such as sugar, milk, tea, coffee or consumers who join up to save and obtain credit most conveniently (Njoroge,2003). Most primary cooperatives operates at the village level, district level and a few at national levels. Secondary cooperatives societies also referred to as unions are generally composed of primary cooperatives as their members. All cooperative societies are affiliated to a national apex body called Kenya Union of Saving and Credit Cooperative society (KUSCO).

All Saccos operate Back Office Service Activities and have been able to mobilize over Kshs 180 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 120 billion. The 200 Saccos with FOSAs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfers both local and international (<http://www.kim.ac.ke/>).

1.1.6 Mwalimu Sacco Society Limited

Mwalimu Cooperative Savings and Credit Society Limited (SACCO) was founded and registered in the year 1974 under the Co-operative Societies Act. (Cap 490 reviewed 2004) as a Sacco Society. Its main areas of services provision include; the mobilization of savings, the provision of credit and welfare facilities to its customers.

The membership is drawn mainly from the employees of the Teachers' Service Commission (TSC) in post primary institutions. The supreme policy formulation organ of the society is the Annual Delegates Meeting (ADM) through the delegates system.

This essentially entails a decentralization of authority to branches. The decision to adapt to this system as opposed to an Annual General Meeting was made in 1982. Currently, the society has a total of 40 branches nationally which are based on the cluster of the existing districts.

Since its inception, the Sacco membership has grown from 145 to over 45,763 in 2008. The growth of the Society has also been experienced in volume of loans and the annual turnover. The volume of loans to customers has grown from K.shs.59 million to the current level of Kshs. 8.4 billion while the share capital, rose from K.shs.83, 545 in 1974 to over 9.2 billion in 2008.

This growth is a testimony to the fact that the loans funds are obtained by customers on attractive terms.

Their Vision is to be the SACCO Society of choice in the provision of financial services in Kenya, their Mission is to mobilize funds, provide Credit and other financial services to their members on competitive terms, while their goal is to increase access to financial and welfare services to the community. Mwalimu Sacco has 200 employees while their members spread through out the country. A part from being the largest Sacco in terms of saving mobilization in Africa, the Sacco is proud of its well educated membership where over 90% are graduate teachers. The Sacco has diverse credit facilities including short term loans e.g. school fees, emergency loans repayable in one year period. Other long term loan products are payable from three years to six years. The Sacco operates a front office in Nairobi Mwalimu House along Tom Mboya Street with two other branches in Kisumu and Nyeri. In partnership with other service providers, the front offices are able to provide ATM services to its members through out the country. Mwalimu Sacco had been ranked top positions in various categories during Ushirika Days cerebrations due to its excellent performance. This has made other financial institution like bank and microfinance to target Mwalimu Sacco members promising better products and services thus there is a lot of competition from other financial institutions (<http://www.mwalimusacco.com>).

1.2 Problem Statement

Organizations have to adequately and promptly respond to challenges of competition in the environment for the organization to be successful. Ansoff (1999) brought out the need of organizations to match their strategies to the level of competitiveness in the operating environment. The environment in which businesses operate faces stiff competition due to the existence of other firms producing and/or selling the same products or services. Businesses have as a result to cope with the competition by adopting strategic responses to it or risk being thrown out of the market by the same competition.

In the contemporary world, owing to the increasing need for financial security of money earned by individuals or cooperates, many Saccos and financial institutions have been established and are increasingly being established. However the rate of establishment of the new firms does not

commensurate with the existing market demand for the financial services enough to fully ensure that the firms are profitable. It is in the face of the rise in competition from other SACCOs that Mwalimu SACCO needs to adopt strategic response to this competition. Strategic management in Co-operative movements demand that societies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved. Therefore, venturing in this area gives hope that, areas of interest for further research can be identified and further understanding of the concept of strategic response particularly in the Sacco industry in Kenya will be enhanced.

Previous research on strategic responses to competition by Kenyan companies have been undertaken, for example, Abdullahi (2000), carried a research on strategic responses adopted by Kenyan Insurance companies and found that most companies do not have a clear cut strategic approach. Muturi (2000) carried a study on strategic responses by firms facing changed competitive conditions on East Africa Breweries. Mutura(2006) carried a research on factors influencing the effectiveness of guarantor ship in loan recovery on Mwalimu Sacco society limited and revealed that some financial institutions especially commercial banks were leading unsecured personal loans at attractively low interest rates thus enticing members of Saccos. These banks additionally offered diverse financial products at competitive rates some of which are not available in Saccos. The resulting competition posing a potential threat to membership and operations of Saccos. Mbai (2007) carried out a research on competitive strategies adopted by Mwalimu Sacco as a result of external environmental changes since 1997 and found that the SACCO possesses competitive advantage over other Saccos given its national wide membership. Other past studies in SACCO societies have largely focused on cash flow problems (Nabangi, 2005), financial mismanage, (Goto, 2004) and members attitudes towards SACCO leading policies, (Omweri 1998). Competition poses a great challenge to individual SACCO. Ndubi Makeni (2006) carried out a study on strategic responses of Saccos to changing operating environment (A study of Nairobi province KUSCO affiliated Saccos) using interview guides found out that the firm responded by increasing their asset base and employing more of marketing strategies such as promotion and quality in order to survive. They also responded by reducing costs of operation in terms of cutting down on staff. This was in order to survive in the competitive environment.

Literature available shows that, scanty research has been done on the Sacco Societies which further exaggerate the problem for individual Saccos don't know the way forward for lack of academic justification of the strategic response to competition that they should adopt. Many of these Saccos visit Mwalimu Sacco for benchmarking as it is known as the giant Sacco in Africa. There was need therefore to formulate a study on Mwalimu SACCO Society specifically to understand the strategic responses that the Society have adopted to curb the ever-increasing competition.

1.3 Objective of the Study

The objectives of the study were:

- i. To establish the strategic responses of Mwalimu Sacco to competition from other financial institutions.
- ii. To determine the challenges that Mwalimu Sacco face from competition.

1.4 Research Questions

- i. What are the strategic responses of Mwalimu Sacco to competition from other financial institutions?
- ii. What are the challenges that Mwalimu Sacco face from competition?

1.5 Importance of the Study

This research aimed to determine the strategic response adopted by Mwalimu Sacco to face competition. The study is invaluable to the various stakeholders in cooperative movement in Kenya and beyond.

Scholars: The study provides information on strategic responses in Mwalimu Sacco to potential and current scholars. This will expand their knowledge on strategic responses in financial institutions and identify areas of further study.

Policy Makers: The policy makers will obtain knowledge of the cooperative movements' dynamics and the responses that are appropriate; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the Sacco societies participation.

Other Stakeholders: This study is invaluable to other stakeholders in Identifying how competitive factors affect the operations of Mwalimu Sacco in Kenya as well as determining the extent to which this and other environmental factors affect operations of other SACCOs; Determining ways in which Mwalimu Sacco respond to increased competition and Identifying the impediments that face Mwalimu Sacco in responding to increased competition

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are the concept of strategy, competition and its challenges, strategic responses by organisations, collaboration as a strategic response and finally strategic responses and competition.

2.2 The Concept of Strategy

Johnson and Scholes define strategy as “the direction and scope of an organization over the long-term, ideally which matches resources to its changing environment and its particular markets, customers and clients, so as to meet stakeholders’ expectations”. This definition is convenient because it identifies three key components of strategy. First, the need to define the scope and range of an organization’s activities within the specific environment it faces. Second, the needs of customers and markets are matched against resource capability to determine long-term direction; and third, the role which stakeholders within and outside the organization have on the articulation of strategy because of their influence over the values, beliefs and principles which codify and govern organizational behavior and the way in which business is conducted.

This wider version of strategy is then honed down into a deliverable, measurable competitive strategy defined by Porter as “a broad formula of how the business is going to compete: what its goal should be and what policies are required to deliver those goals”. Most commentators, in the rational or behavioral schools of thought, accept that every organization has an implicit or explicit competitive strategy which it implements based on its understanding of the competitive forces it faces now and in the future. Furthermore, the organization has some understanding of the context within which it operates in terms of actual and perceived performance of its stakeholders - directors, managers, employees, public and customers - as well as its internal strengths and weaknesses in service terms and the external context which will shape market.

2.4 Competition and its Challenges

Pearce and Robinson (1997) notes that “the essence of strategy formulating is coping with competition”. The industry attractiveness and competitive position of a firm largely influence and shape the choice of competitive strategies adopted.

Managers are expected to operate in environments which are becoming increasingly uncertain, confused and incoherent. The traditional signals and barometers which guided them to a given destination are changing around them as the internal and external environments with which they were familiar become pressured by the twin forces for change and consolidation in acute services.

Strategic writers have essentially remained in two schools; namely those who believe in the rational formulation, implementation and evaluation of strategy and those who place greater credence of behavioural influences on strategy. The seminal work of Porter on competitive strategy is in the rational school of thought and provides an essential framework for understanding and analyzing the environment within which the organization operates and the relative strengths and weaknesses of the competitive forces within the market. Porter believes that such an understanding will assist the organization in formulating a view on the current and future environment and the organization’s response to it. The model of competitive forces presented consists of five main elements: potential entrants to the market; rivalry among existing organizations in the market; bargaining power of purchasers; bargaining power of suppliers and the threat of substitutes.

The interaction of these forces will affect the structure of the market and its operation. More importantly, these competitive forces will determine how an organization works and behaves in the market. The challenge for managers is to determine and shape of these forces into a coherent strategy which is understood by employees, consumers and purchasers, so they can ensure survival of their organization and meet the needs and demands of tomorrow.

The strength of each of the five competitive forces needs to be assessed critically when developing a strategy. An industry is attractive when the competitive forces are not strong and also when a firm has a competitive advantage. However the model is not applicable in all the industries because of restrictions present in industry example legislation. Pearce and Robinson

(1997) notes that every industry has an underlying structure or set fundamental economic and technical characteristics that gives rise to competitive forces. The strongest forces usually determine the profitability of the industry. It is therefore crucial for the strategist to devise a plan of action that will provide defense against the competitive forces and also influence the balance of the forces through strategic moves that match the company's strengths and weakness. Porter (1985) stipulates that competitive position of a firm is determined by how well the firm identifies its key success factors like marketing distribution network and technology knowledge of the underlying sources of competitive pressure highlights the critical strengths and weakness of the company. The strengths in these areas are used to build a company's strategy by attacking the competitors' weakness and hence creating a defense against threats to its competitive position and future performance. Hamel and Prahalad (1990) noted that firms can also respond to environment through the resource based view that focuses on the strength and weaknesses, opportunities and threats, analysis. Organization capabilities enable firms to respond effectively to opportunities and threats. The organization therefore concentrates their efforts in areas where they have distinctive advantages. This makes them more effective and efficient in their operations. As result where they have non distinctive advantage they can outsource the services to the experts and concentrate on their core business.

Through horizontal integration firms can control market by acquiring a holder network. This can also be achieved through advertising brand promotion and products differentiations vertical integration involves taking over forms and hence internalizes them and reduces competition.

2.3 Strategic Responses by Organisations.

Pearce and Robinson (1997) defines strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Strategic response is a reaction to what is happening or expected to happen in the environment.

The survival of a firm is dependent on the strategic responses to environmental changes.

Aosa (1999) stipulated that industries are responding to customer's demands by becoming more innovative in responding to their exchanged environment. Firms are therefore seen to use strategies like Customer Service, Credit facility, post paid cards and provision of convenience goods and services. A firm may respond to increased competition – by market development strategy. This can be on existing markets or new geographical markets. The market entry

strategies may include strategic alliances, acquisition and joint ventures. Nganga (2004) noted that pharmaceutical firms respond to environmental change is through formation of mergers and acquisitions. He noted that Glaxo Welcome acquired the Egyptian Company Amoun Pharmaceutical and later merged with SmithKline. Clark (2002) expressed that joint ventures, collaborations and strategic alliance are becoming popular. They involve two or more organization sharing resources and activate to pursue a strategy collaboration strategies involve building relationships with stake holders example the production and distribution systems to acquire synergy in operations hence achieve competitiveness Koigi Nyambura (2002) noted that Post Bank and Citi Bank formed a strategic alliance to be able to reach Customers. Nganga (2004) noted the collaboration of Glaxo SmithKline with Cosmos Limited a local indigenous generic drugs manufacturer to produce some of its products enabled them to be competitive in the market. Johnson and Scholes (2002) noted that organizations operating in environment that have become unfavorable may respond by one of the defensive strategies which include joint ventures retrenchments, divesture or liquidation.

2.3.1 Collaboration as a Strategic Response

A new competitive landscape is taking shape. As Hitt et al. (1998) mention, managers and governmental policy makers are encountering major strategic discontinuities that are changing the nature of competition. A revolution in technology and globalization presents major challenges to firms' ability to maintain their competitiveness. This leads to an escalating competition with an extreme emphasis on price, quality and satisfaction of customer needs and a focus on innovation (Hitt et al., 1998). When redesigning logistics processes, one should make a make/buy or ally choice or make a choice between keeping logistics in-house, outsourcing or seeking cooperation with other companies to exploit synergies (Razzaque and Sheng, 1998).

The need for collaboration has been mentioned by several authors (e.g. Lawton-Smith et al., 1991; Yoshino and Rangan, 1995). A collaborative supply chain simply means that two or more independent companies work jointly to plan and execute supply chain operations assuming greater success than when acting in isolation. Notice that although the partners have a common goal, they remain self-interested and their only focus is in long-term survival. Each member is

searching for individual benefits such as lowering costs, increasing responsiveness, reducing transactions and the like (Simatupang and Sridharan, 2002). However, collaboration is about identifying and exploiting win-win situations and thus an opportunity for each partner.

In general, one can identify four levels of working together. The most basic level is an “arm-length” relationship, which can grow into the second level or “cooperation” and later into the third level or “coordination”. “Partnership” is fourth on the continuum and it is as well called collaboration or strategic alliance. More specifically, it is called collaboration whenever the companies are working together on logistics and manufacturing related activities and called a strategic alliance whenever it involves more non-logistics activities and functions (Arabe, 2003).

A collaborative supply network could be differentiated in terms of its structure: vertical, horizontal and lateral (Gill and Allerheiligen, 1996; Simatupang and Sridharan, 2002). Vertical collaboration can be defined as collaboration between parties performing complementary activities or services, i.e. when two or more organizations such as manufacturer, distributor, carrier and the retailer share their responsibilities, resources to serve similar end customers (e.g. vendor managed inventories (VMI)). Horizontal collaboration indicates the collaboration between parties performing the same type of activities and/or services, i.e. it occurs when two or more unrelated or competing organizations cooperate to share their private information or resources such as joint distribution centers. Lateral collaboration aims to gain more flexibility by combining and sharing capabilities in both vertical and horizontal manners (Simatupang and Sridharan, 2002; Naesens et al., 2004a, b).

2.4 Strategic Responses to Challenges of Competition

Hamel and Prahalad, (1993) state that increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment.

According to Bowman (1998), external pressures, perceived benefits, and readiness are significant predictors of intent to gain response strategies by organizations, with external

pressures and readiness being considerably more important than perceived benefits. Numerous organizations have adopted strategies response since market complexity and turbulence have increased drastically in their external environment. For instance, some organizations have chosen the strategy of the so-called international expansion, some have chosen acquisition strategy and strategic alliance Glaister and Falshaw, (1999) while others have considered stock listing and/or an increase in IT investment (Pellegrino and Carbo, 2001).

Glaister and Falshaw, (1999) conclude that the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic change successfully is key competitive strength for a sustainable competitive advantage. Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issue, which may have profound impact on the firm.

Porter (1985) asserts that a change in the competitive position requires a company to decide on which generic strategies to adopt. The choice depends on a firm's perception of the environment and the basis of successful competition. He argued that organizations achieves competitive advantage by providing their customers with what they want or need in a more effective way than the competitors. Thompson (1993) noted that cost leadership is usually traded off against differentiation.

Differentiation adds to cost in order to add value for which customers are willing to pay premium prices, since customers are served differently and uniquely, cost leadership strategy is adopted by marketers who sell lower cost goods or those that have either low quality specifications popularity referred to as counterfeit or generics. Porter (1985) noted that cost leadership requires a firm to have economies of scale. Porter identifies three broad competitive strategies. These can be conveniently packaged into strategic choices which relate to particular functional strengths of the organization, or the uniqueness perceived by the customer. There is sometimes misconception and confusion in the strategic choices and the methods used to deliver them, such as development of new markets and services or diversification through merger or takeover. This can cloud the mindset required for truly strategic thinking in trusts because managers become

focused on the delivery of a process which they have failed to understand is the vehicle for implementing a competitive strategy associated with cost leadership, differentiation or focus.

Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. According to Johnson and Scholes (1997), core strengths are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections should be included; research design, target population, sampling design, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

This research was conducted through a case study. The study sought to investigate the strategic responses adopted by Mwalimu Sacco to the challenges posed by the competitive environment. Case study was chosen as it enables the researcher to have an in-depth understanding of the study. A case study design is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear. This is advocated by Young (1960) and Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It's a method that drills down, rather than cast wide.

3.3 Data Collection

The researcher used Interview guide as primary data collection instrument. The Interview guides were designed to give a brief introduction of the environmental changes targeted. The Interview guide had open-ended questions. The Interview guide was administered through personal interviews with senior employees of Mwalimu Sacco. These included the head of various

departments (loans, finance, accounts, investment (Withdrawable saving funds; WSF) and human resource departments) and other staff in managerial levels. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview.

3.4 Data Analysis

Data collected was purely qualitative and it was analyzed by content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of phenomena that comprise the object of study. The researcher used the data with an aim of presenting the research findings in respect to the adopted strategic responses to competition adopted by Mwalimu Sacco.

CHAPTER FOUR: DATA FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents the data findings of the study and their analysis there of. The data was gathered through interview guides and analysed using content analysis. According to the data found, all the nine heads of department projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointment with the head of department despite their tight schedules and making phone calls to remind them of the interview.

4.2 General Information

The study, in an effort to establish the interviewees' competence and conversance with matters regarding Mwalimu Sacco asked questions on the years that the interviewees had worked for the organisation (Mwalimu Sacco). According to the interviewees' response, all of them had worked for the organisation for over three years as most promotions are internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they head of departments and experience and aptitude owing to their years of experience in the organisation.

To the question on the major competitors for Mwalimu Sacco, the interviewees said that their main competitors are Banks, Microfinance institutions, Housing finance society, money launderers, produce marketing cooperatives, insurance firms and pyramid schemes.

To the question on the major changes that have taken place in Mwalimu Sacco the data findings showed that the changes were the development of the various loan products, technological changes, starship of Withdrawable saving funds, five years strategic plan implementation, ISO 9001: 2008 implementation, buying of the members bank loans, expansion of the product range, introduction of long term loans (72 months), opening of satellite offices in major towns in the country, use of aggressive marketing strategies, performance contracting and development of customer service charter. The interviewees further said that the objectives of these changes were

to enhance service delivery, to control and smoothen operations, to focus more keenly to the mission and vision, to measure the outcome against set targets, to benchmark internationally, to meet all peoples needs and to mobilize more funds for lending. The interviewees said that the challenges in the change process were mainly slowness of the change process, over involvement of the board members in operational, inferior IT systems, decline of members due to natural attrition, location of the head office, pay slip based lending, only the CEO directing changes and difficulties in loan repayments.

The interviewees stated the external factors that are brought by change as positive image created within the industry and head of state, other financial partners are ready to work with Mwalimu Sacco, Umbrella organizations positive towards the Sacco issues, personal development of the clients, maintenance of the Sacco market niche, creation of employment opportunities and government intervention through changes in policies.

4.3 Strategic Response to Challenges of Competition

To the question on which strategies Mwalimu Sacco use to respond to the challenges of competition, the data findings showed that Mwalimu Sacco respond to these challenges by repackaging/rebranding of the loan products, training of staff, continuous research and development to gather what the customer require to meet the specific needs by introducing new products, aggressive promotion of products and services, regular review of interest rates, reengineering service levels, imposing measurable yardsticks using such instruments as performance contracting, ISO 9001-2009 and strategic plans, sourcing for cheaper sources of funds and benchmarking with other competitors.

The interviewees further said that the main product and process improvement as business response strategy adopted by Mwalimu Sacco were vision loans which is payable in 72 months to counter banks' personal loans, improved service delivery through the introduction of a quality management system(QMS) through ISO 9001-2009 certification, customer satisfaction survey, tailor made products (loans to suit every individuals' circumstance, relieving members burden from commercial banks by buying their loans, increased use of ICT which is continuously upgraded to improve efficiency (CMIS) new savings products for members and front office (WSF) services.

To the question on how the response strategies used by Mwalimu Sacco helped it to achieve a competitive edge the interviewees indicated that they have experienced a loan portfolio growth, the share capital went up, increased membership, development of customers' need focused products, improved service delivery, increased profitability and increased customer retention. Further the interviewees' indicated that, creation of a marketing department has helped it to reach more customers clearly creating awareness of its products while increased use of ICT has improved service delivery to members leading to customer satisfaction.

Interviewees also commented that attempts to improve flexibility and quality has helped Mwalimu Sacco to achieve a competitive edge through better quality services and flexible loan repayment periods which have attracted more members to patronize the services and products thus increasing business for the Sacco. They also said that improvement on service delivery culminating to the ISO 9001-2009 award had a key impact on the Sacco's profitability through increased membership and also reduced employee turnover. These have also resulted in increased recruitment of primary teachers graduates to the Sacco.

To the question on whether Mwalimu Sacco focus more on quality improvement to match to the customers' needs and expectations or adoption new products as competitive strategy the interviewees said that Mwalimu Sacco focus more on quality improvement strategies like bridging of Sacco loans, buying of bank loans, introducing more convenient loan policies (new products) to fit the continually changing members needs. The interviewees further gave other quality improvement strategies as upgraded CMIS, more use of ICT, more quality personnel, continuous personnel training.

On the interviewees opinion on whether they thought companies can achieve a competitive advantage by offering products/services that are lower in prices than that of their competitors most said that companies cannot achieve a competitive advantage by offering products/services that are lower in prices than that of their competitors since most people view low pricing as cheap quality. However some of the interviewees said that although price competitiveness is the main factor most customers will consider while shopping, more important is the quality of the services/products and suggested that a best mix of best quality and lowest price policy should be employed.

The study required the interviewees to give their views on which market control among acquiring a holder network, advertising, brand promotion and products differentiations could give a superior competitive edge to a company. According to the study some interviewees said products differentiations give a superior competitive edge to a company because diverse product needs are met thus satisfaction of a wide and diverse customer base, customers associate product to the firm. Other interviewees said advertising and brand promotion give a superior competitive edge to a company because advertising is convincing and also ensure that the customer loyalty is maintained.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective which is to establish the strategic responses of Mwalimu Sacco to competition from other financial institutions.

5.2 Summary of Findings

On major competitors for Mwalimu Sacco, the findings showed that the main competitors are Banks, Microfinance institutions, Housing finance society, money launderers, produce marketing cooperatives, insurance firms and pyramid schemes.

On the major changes that have taken place in Mwalimu Sacco, the findings showed that the changes were the development of the various loan products, technological changes, starship of Withdrawable saving funds, five years strategic plan implementation, ISO 9001:2008 implementation, buying of the members bank loans, expansion of the product range, introduction of long term loans (72 months), opening of satellite offices in major towns in the country, use of aggressive marketing strategies, performance contracting and development of customer service charter. The findings showed that the objectives of these changes were to enhance service delivery, to control and smoothen operations, to focus more keenly to the mission and vision, to measure the outcome against set targets, to benchmark internationally, to meet all people needs and to mobilize more funds for lending. The study found that the challenges in the change process were mainly slowness of the change process, over involvement of the board members in operational, inferior IT systems, decline of members due to natural attrition, location of the head office, pay slip based lending, only the CEO directing changes and difficulties in loan repayments.

On the external factors that are brought by change the finding showed that they are positive image created within the industry and head of state, other financial partners are ready to work with Mwalimu Sacco, Umbrella organisations positive towards the Sacco issues, personal development of the clients, maintenance of the Sacco market niche, creation of employment opportunities and government intervention through changes in policies.

On which strategies Mwalimu Sacco use to respond to the challenges of competition, the findings showed that Mwalimu Sacco respond to these challenges by repackaging/rebranding of the loan products, training of staff, continuous research and development to gather what the customer require to meet the specific needs by introducing new products, aggressive promotion of products and services, regular review of interest rates, reengineering service levels, imposing measurable yardsticks using such instruments as performance contracting, ISO 9001-2009 and strategic plans, sourcing for cheaper sources of funds and benchmarking with other competitors.

The main product and process improvement as business response strategy adopted by Mwalimu Sacco were found to be vision loans which is payable in 72 months to counter banks' personal loans, improved service delivery through the introduction of a quality management system(QMS) through ISO 9001-2009 certification, customer satisfaction survey, tailor made products (loans to suit every individuals' circumstance), relieving members burden from commercial banks by buying their loans, increased use of ICT which is continuously upgraded to improve efficiency (CMIS), new savings products for members and front office (WSF) services.

On how the response strategies used by Mwalimu Sacco helped it to achieve a competitive edge the finding showed that they have experienced a loan portfolio growth, the share capital went up, increased membership, development of customers'' need focused products, improved service delivery, increased profitability, increased customer retention. Further the interviewees' creation of a marketing department has helped it to reach more customers clearly creating awareness of its products while increased use of ICT has improved service delivery to members leading to customer satisfaction.

On how attempts to improve flexibility and quality has helped Mwalimu Sacco to achieve a competitive edge, the finding showed that it is through better quality services and flexible loan repayment periods which have attracted more members to patronize the services and products thus increasing business for the Sacco. They also said that improvement on service delivery culminating to the ISO 9001-2009 award had a key impact on the Sacco's profitability through increased membership and also reduced employee turnover. These have also resulted in increased recruitment of primary teachers graduates to the Sacco.

On whether Mwalimu Sacco focus more on quality improvement to match to the customers' needs and expectations or adoption new products as competitive strategy the finding showed that Mwalimu Sacco focus more on quality improvement strategies like bridging of Sacco loans, buying of bank loans, introducing more convenient loan policies to fit the continually changing members needs. The interviewees further gave other quality improvement strategies as upgraded CMIS, more use of ICT, more quality personnel, continuous personnel training.

On the interviewees views regarding whether companies can achieve a competitive advantage by offering products/services that are lower in prices than that of their competitors the study found that companies cannot achieve a competitive advantage by offering products/services that are lower in prices than that of their competitors since most people view low pricing as cheap quality. The study also found that although price competitiveness is the main factor most customers will consider while shopping, more important is the quality of the services/products and suggested that a best mix of best quality and lowest price policy should be employed.

Study found that products differentiations give a superior competitive edge to a company than acquiring a holder network and advertising brand promotion because diverse product needs are met thus satisfaction of a wide and diverse customer base, customers associate product to the firm.

5.3 Conclusions

In the modern era of breakneck competition among Saccos and also between Saccos and other financial institutions, Mwalimu Sacco has been able to keep pace with the competition by having strategic business responses which add value to the Sacco initiative and which help in meeting the dynamic challenges of the modern customers' needs. The study concludes that Mwalimu Sacco has effectively been responding to challenges brought about by competition from other Saccos and other financial institutions. The study further concludes that strategies Mwalimu Sacco use to respond to the challenges of competition include repackaging/rebranding of the loan products, training of staff, continuous research and development, aggressive promotion, regular review of interest rates, sourcing for cheaper sources of funds and benchmarking with other competitors

The study further concludes that product and process improvement as business response strategy adopted by Mwalimu Sacco include vision loans which is payable in 72 months to counter banks' personal loans, improved service delivery through the introduction of a quality management system (QMS), introduction of tailor made product, increased use of ICT which is continuously upgraded to improve efficiency (CMIS) and the use of new savings products.

The study also concludes that attempts to improve flexibility and quality has helped Mwalimu Sacco to achieve a competitive edge through better quality services and flexible loan repayment periods which have attracted more members to patronize the services and products thus increasing business for the Sacco this has also resulted in increased recruitment of primary teachers graduates to the Sacco. It further concludes that Mwalimu Sacco focus more on quality improvement strategies like bridging of Sacco loans, introducing more convenient loan policies, upgraded CMIS, more use of ICT, more quality personnel, continuous personnel training as competitive strategy and adoption of new products.

Finally the study concludes that Mwalimu Sacco cannot achieve a competitive advantage by offering products/services that are lower in prices than those of their competitors since most people view low pricing as cheap quality. This study also concludes that products differentiations

give a superior competitive edge to a company than acquiring a holder network and advertising brand promotion.

5.4 Recommendation

From the discussions and conclusions in this chapter, the study recommends that although Mwalimu Sacco has been successful in neutralizing the challenges brought about by competition, Mwalimu Sacco should engage in more interest reduction as a response to its competitors' strategies whose products and services are much cheaper. Besides providing its services and products at lower cost (cost advantage), Mwalimu Sacco should deliver benefits that exceed those of competing products (differentiation advantage) to gain a competitive advantage over other Saccos. The study further recommends that Mwalimu Sacco should heavily advertise its products in all parts of the country and also encourage primary teachers graduates to join the Sacco. This would increase its customer base and compete even more with other competing Saccos and other financial institutions.

5.5 Area for Further Research

The researcher recommends that further studies should be done on new product diversification strategies used by Mwalimu Sacco to challenges brought about by competition so as to comprehensively and exhaustively study their Keynes. The researcher further recommends that the same study be done on other Saccos and other financial institutions so as to find out how other companies also respond to competition since each company do approach a different strategy.

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APPENDICES

APPENDIX 1:LETTER OF INTRODUCTION

**Michael Mburu Waweru
P.O Box 30047(00100)
Nairobi.**

To the Respondents,

REF:INTRODUCTION LETTER

My name is Michael Mburu Waweru, an MBA student at the University of Nairobi. Having completed part I of my course, it is required by the University that a part II of the course be undertaken as a research project for one to be considered for graduation.

My research project is on Strategic Responses to Competition at the Mwalimu SACCO society limited. A copy of the final write-up will be availed to you on request.

I will highly appreciate your willingness to give information that will be critical to the completion of the project. The information obtained will be treated with great confidentiality and only be used for research purposes.

Thank you in Advance.

Your Sincerely

**MICHAEL WAWERU
UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS**

APPENDIX 2: Interview Guide

1. Position held in the Sacco

2. Number of years worked with Mwalimu Sacco.

- a) Over 3 years ()
- b) Between 1-2 years ()
- c) Less than 1 year ()

3. Major competitors for Mwalimu Sacco.

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4. State major changes that have taken place in Mwalimu Sacco and the objectives of the changes, challenges and your involvement in the change process.

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5. State the external factors that are brought by change.

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6. Which strategies does Mwalimu Sacco use to respond to the challenges of competition?

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7 . What are the main product and process improvement as business response strategy adopted by Mwalimu Sacco?

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8. How are the response strategies used by Mwalimu Sacco helped it to achieve a competitive edge?

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9. How has attempts to improve flexibility and quality helped Mwalimu Sacco to achieve a competitive edge?

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10. Does Mwalimu Sacco focus more on quality improvement to match to the customers' needs and expectations or adoption new products as competitive strategy? Briefly explain why.

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11. In your opinion do you think companies can achieve a competitive advantage by offering products/services that are lower in prices than that of its competitors? Briefly explain.

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12. Firms can control market by acquiring a holder network , advertising brand promotion and products differentiations. In your opinion, which of the three gives a superior competitive edge to a company. Briefly explain why.

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Thank you.